Austria	Sch30	Indonesia	Rp3600	Pakistan	Rs35
Bahrain	Din1.000	Israel	Shk5.50	Philippines	Pso45
Belgium	BFr60	Italy	L2500	Poland	Zl 18,000
Cyprus	C£1.00	Jordan	JD1.20	Portugal	Es180
Czech	Kcs35	Korea	Won 2500	Qatar	QR10.00
Denmark	DKr14	Kuwait	Fils.500	S.Arabia	SR9.00
Egypt	E£4.00	Lebanon	L£1,250	Singapore	S$4.10
Finland	FM16	Lux	LFr60	Spain	Pta200
France	FFr9.00	Malta	Lm0.50	Sweden	SKr14
Germany	DM2.20	Morocco	MDh11	Switz	SFr3.00
Greece	Dr250	Neth	Fl 3.50	Thailand	Bt50
Hungary	Ft162	Nigeria	Naira20	Tunisia	Din1.000
Iceland	IKr180	Norway	NKr15.00	Turkey	L6000
India	Rs20	Oman	OR1.20	UAE	Dh9.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Newspaper of the Year

Monday March 9 1992

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ITALY

Mediobanca faces confidence crisis

Page 13

World News — **Azerbaijani**

Business Summary — **Court 'victory'**

Major stakes election hopes on tax-cutting Budget

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l last night that there could
"no turning back" on an
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me member of Mr Major's
er circle said that he was confident that the Budget, economic competence and Mr Major's popularity would allow the Conservatives to take the lead during the campaign.

Mr Paddy Ashdown, the Liberal Democrat leader, used a speech to his party's Scottish conference yesterday to put Britain's electoral system and economic credibility as the centrepiece of a "positive" election strategy.

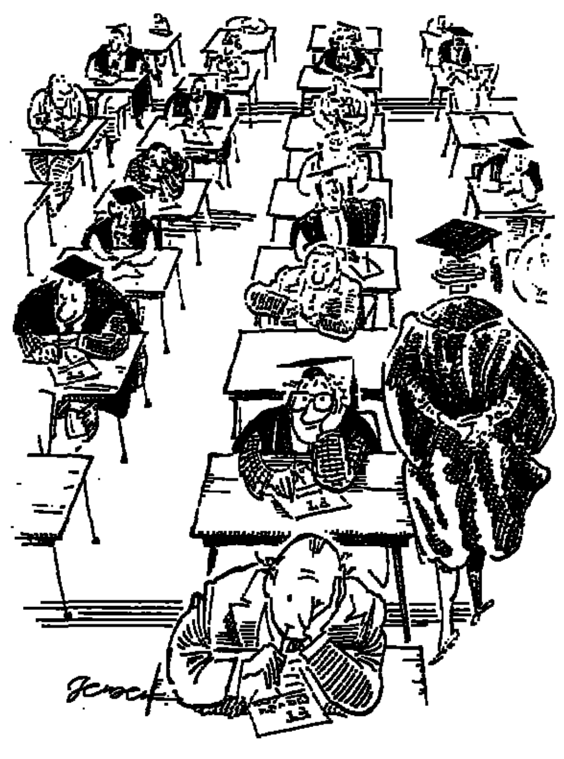
He reiterated that proportional representation, and an agreed four-year programme of government, were essential for his party's support in a hung parliament.

SATURDAY MARCH 7 1992 — SCHOOLS SURVEY I

PARENTS' GUIDE TO INDEPENDENT SECONDARY SCHOOLS

The FT SCHOOLS 500

Public schools that made the grades



***Gillian de Bono** explains how this special FT survey assessed the sixth form performance of almost 500 fee-paying schools in Britain*

"ARE WE not setting the agenda for parental choice on far too narrow a front?" Joan Townsend, of Oxford High, is not the only head teacher to express reservations about school league tables. Yet the Headmasters' Conference compiles its own table of examination results – although this is not made available to parents of prospective pupils.

Tony Evans, head of Portsmouth Grammar (rated sixth in this FT 500-schools survey) revealed the ambivalence of head teachers in his autumn term report to parents: "The A level results were very satisfactory, the overall pass rate being 93 per cent, 59 per cent achieved at grades A and B. This placed the school eighteenth in the Headmasters' Conference. However, I would wish to repeat my comments at prizegiving that education is broader and more humane in its purpose than the acquisition of the top two A level grades alone."

Independent schools clearly recognise the competitive value of a good academic record, and most include detailed examination results in their prospectuses. The problem for parents is that the information is often presented in an inconsistent form, making meaningful comparisons difficult.

Our tables on Pages 7 to 11 address this problem by giving comparative data on nearly 500 independent secondary schools in England, Wales and Scotland. It is the biggest and most comprehensive survey of its kind, and although not every school in the UK is included, we have taken pains to include all which replied and which teach A Levels (or Highers in Scotland).

Previous surveys have ranked schools only on the performance of their best pupils – schools were compared on the percentage of A and B grades attained at A Level.

Our survey is the first to assess the results of *all* A level candidates in the second year sixth form using the points system used by the Universities Central Council on Admissions (UCCA). This quantifies performance of all grades on the following scale: grade E, two points; grade D, four points; grade C, six points; grade B, eight points; and grade A, ten points. We have added all the points obtained to produce a combined UCCA points score for each school.

Dividing a school's total UCCA points by the number of subjects entered gives a measure of the success rate. For example if every pupil achieved an A grade in every subject, the average UCCA score per entry would be 10. If the average grade were a B, the score would be 8 and so on.

It would not, however, be fair to use this score per entry as the basis for ranking all schools. This is because schools entering only their best pupils for a narrow range of subjects would have an unfair advantage over schools with a broader entry policy. On this measure, the Yehudi Menuhin School came out second, beating Eton and Winchester. Previous attempts by newspapers to rank schools according to their A and B grades are open to the same objection.

An alternative measure of success is the average UCCA points score per pupil. This, after all, is what most universities look at when assessing candidates for entry. However this measure unfairly discriminates against schools which limit the number of A level subjects to three and use the extra time for optional subjects, which are not examined. Schools which routinely enter pupils for four A levels could achieve a maximum of 40 points per pupil compared with only 30 for those entering an average three subjects.

We have combined scores for performance per pupil and performance per entry in an index which gives equal weight to both. This index therefore provides some measure of academic excellence and of breadth.

Our tables also list separately the performance per entry, performance per pupil and the average number of A

■ Turn to Page 2

King Edward's, Birmingham, first among 500

CONTENTS

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ɔrates his poll success with his wife and supporters

azawa's party

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t was the LDP's second poll
back in a month, and the
ty faces a difficult upper
ıse election in July. Faction leaders are likely to meet to discuss whether Mr Miyazawa should lead the party into that election or whether his resignation would improve the LDP's popularity.

The party would have difficulty finding a suitable replacement, particularly when the most serious of the scandals, alleged bribery by the Tokyo Sagawa Kyubin trucking company, is still unfolding. And while Mr Miyazawa's faction has been implicated in a separate bribery episode, Mr Miyazawa himself is still generally regarded as a relatively "clean" politician.

Move to stop fall in yen, Page 4

THE MONDAY INTERVIEW

Richard Ryder, government chief whip, is one of the most powerful figures in the British Conservative party. Quite consciously he is, and intends to remain, among the least well known.

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European Property

A changing skyline mixes new and old. *See Friday's survey.*

European Property: Recession blunts the impact of change.

■ **MONDAY MARCH 16:**
Nigeria: Benefits of the reform process are slow to come through.

■ **TUESDAY MARCH 17:**
Information Technology in Europe: A resilient response to the recession.

■ **THURSDAY MARCH 19:**
Financial Futures and Options: An increasingly competitive arena.
Software at Work: Our user guide to the latest packages.

Azerbaijani peace plea fails to halt conflict

FRESH fighting broke out between Armenian and Azerbaijani combatants struggling for control of Nagorno-Karabakh yesterday despite a plea for peace from Azerbaijan's interim president, Reuter reports from Moscow.

Armenia said Azerbaijani forces were still massed around the town of Askeran and engaging in running skirmishes with the town's Armenian population 24 hours after some of the worst fighting in the four-year conflict in the region.

The Karabakh Committee in the Armenian capital Yerevan said Armenian defenders had destroyed one Azerbaijani tank.

The committee also reported fighting near Hathrouth in the south of Nagorno-Karabakh and said Azerbaijani forces had rained shells on several towns inside and outside the enclave after an early lull in the fighting.

Azerbaijan reported overnight shelling of Agdam, one of its chief towns just outside Nagorno-Karabakh.

Mr Vahan Shirkhanyan, head of the Karabakh Committee, put the Armenian death toll in the battle in Askeran at 200. He said 26 Armenians, many of them women, had been killed when Azerbaijani forces overran the village of Kazanchi.

The battle for Nagorno-Karabakh, administered by Azerbaijan for nearly seven decades but populated mostly by Armenians, has intensified in recent weeks, despite a welter of peace initiatives.

Azerbaijan's interim President Yagub Mamedov yesterday called for new efforts to bring both sides to negotiations.

"We have to step up diplomatic efforts and get negotiations going quickly," he said.

But the 51-year-old former university rector, who succeeded President Ayaz Mutalibov two days ago, may face domestic pressure to take a hawkish stance on the conflict.

Mr Mutalibov was forced out of office last week by demonstrators who said he had been soft on Armenia and had staked too much on a negotiated settlement.

Up to 2,000 people have died in four years of fighting in Nagorno-Karabakh, making it the bloodiest conflict in scores of ethnic feuds that helped to tear the Soviet Union apart.

The struggle also threatens to undermine the newly-formed Commonwealth of Independent States.

Turkey yesterday issued a new call for peace in the region, with Mr Hikmet Cetin, foreign minister, asking the US to use its influence for a solution.

Mr Cetin has been touring several former Soviet republics, including Azerbaijan. Turkey has urged Azerbaijan to adopt a tougher stance in the conflict, drawing charges from Armenian politicians that it is meddling in the dispute to win the support of Moslem former Soviet republics.

● Former Soviet foreign minister Eduard Shevardnadze, back in his native Georgia to pursue a political career, appealed to the west yesterday for aid for the Transcaucasian republic.

After 36 hours of talks with government leaders, he said: "I'll be straightforward: without aid from our friends – real democrats in all states of the world – we will find it difficult to solve all our problems."

Mr Shevardnadze, who steered the foreign policy of Soviet leader Mikhail Gorbachev, says he will probably run for a seat in the Georgian parliament once new elections are held. He has also not ruled out standing for the presidency.

Mountain to climb, Page 14

Azerbaijan's interim leader Yagub Mamedov calling for peace talks yesterday

Threat of German strike grows

By Quentin Peel in Bonn

THE THREAT of a public sector strike in Germany grew stronger at the weekend when trade union leaders rejected the government's pay offer as "not worth discussing" and warned that they would call a strike ballot if there were no improvement.

The white-collar workers' union, DAG, has announced that it will decide today on whether to start "warning strikes" in central and state government offices, and the OTV, the principal public sector union, did not exclude protest actions in the key state of North Rhine-Westfalia.

The worsening mood in the 2.3m-strong public sector workforce, which would pit the unions for the first time directly against the government, coincided with more hopeful indications from both sides in the banking industry wage conflict that they may return to the negotiating table.

At the same time there were gloomy warnings about the strained state of the German economy, rising unemployment, and the need for tougher budget restraint, both from government ministers and the government's top independent economic adviser.

Professor Hans Karl Schneider, chairman of the so-called five wise men who provide the German government with a regular independent economic analysis, warned that the real level of unemployment would reach 4m this year and expressed astonishment at the continuing demands of the unions for wage awards of about 10 per cent.

The public sector unions are demanding a pay increase of 9.5 per cent, and extra holiday pay, and last week were offered 3.5 per cent by the employers' side, representing the federal, state and local authorities.

At a weekend rally in Essen, Mrs Monika Wulf-Mathies, leader of the OTV, said that if there was no improvement in the offer by the next round of negotiations on March 19, "there can only be one answer: a ballot and a strike."

Mr Helmut Kohl, the German chancellor, told a state election rally in Baden-Württemberg that wage demands of 9.5 per cent had nothing to do with economic reality.

The one ray of hope came in the bank dispute. Mr Hilmar Kopper, chief executive of Deutsche Bank, said in an interview that the employers' offer of 5 per cent was "not the last word," and union leaders said they were ready to go back to the negotiating table.

Brussels talks to step up Yugoslav peace initiative

By Judy Dempsey in Ljubljana and Laura Silber in Belgrade

MOVES to resolve the Yugoslav crisis will be stepped up today when the EC-sponsored conference on Yugoslavia reconvenes in Brussels, following the arrival yesterday in Belgrade, the Serbian and federal capital, of the commander of the UN peace-keeping troops.

General Satish Nambiar, an Indian, is expected to finalise plans to deploy more than 13,000 UN peace-keeping troops in the republic of Croatia later this month.

Despite the first major breach of the nine-week-old ceasefire in Osijek, eastern Croatia, in which five people were reported killed at the weekend, western diplomats yesterday said they expected the deployment to go ahead.

In Brussels, the presidents of Slovenia and Croatia, and the four presidents of the rump Yugoslavia, are today due to discuss the recognition of the republics of Bosnia-Hercegovina and Macedonia. Both republics voted for independence in recent referendums.

Serbian President Slobodan Milosevic may not attend the talks because of slight injuries received in a car accident, Tanjug news agency said.

Greece continues to oppose the recognition of Macedonia on the grounds that Macedonia has claims on part of northern Greece, while nationalist Bosnian Serbs, who boycotted the referendum in Bosnia-Hercegovina, want to remain part of the Serb-dominated rump Yugoslav federation.

Mr Alija Izetbegovic, president of Bosnia, will again ask the EC to recognise the republic's independence. But Moslem officials said at the weekend that some EC countries now suggest Bosnia should be administered on ethnic lines, with considerable autonomy granted to the Croat, Moslem and Serb communities.

Croatia and Serbia also support the division of Bosnia into cantons in the belief that this would speed up the eventual disintegration of the republic and its eventual unity with both Croatia and Serbia. Western diplomats yesterday said the UN, and some other EC countries, oppose this plan.

Mr Franjo Tudjman, president of Croatia, has already succeeded in having Mr Miro Lasic, a moderate Bosnian Croat who wants to preserve the territorial integrity of Bosnia, dismissed from a special tripartite committee of Moslems, Serbs and Croats. This committee is negotiating with the EC on the future status of the republic.

Slovene officials want the EC conference to open up negotiations on tackling Yugoslavia's $16bn (£9bn) external debt. Mr Marko Krajnac, vice-chairman of the central bank of Slovenia, said all six republics must decide how the debt should be distributed among the republics, so as to facilitate fresh credits.

Much of the federal debt is already accounted for, except for $3.5bn, which is unallocated debt. "We have to reach a settlement on this soon. But so far, the National Bank of Yugoslavia [the central bank] has not been willing to discuss it," Mr Krajnac said.

Slovenia's share of the allocated debt of the Yugoslav federation is about $1.8bn.

German-Soviet air link could be resurrected

By Leyla Boulton in Moscow and Daniel Green in London

A PARTNERSHIP first established between Germany's Weimar Republic and Lenin's Bolsheviks could be revived under a proposal being examined by airline executives in Frankfurt and Moscow.

Aeroflot, the airline of the now-defunct Soviet Union, is considering a possible alliance with Lufthansa, the German national carrier. It would involve route-sharing and other joint operations to help the former Soviet carrier survive international competition.

Both airlines have invoked the memory of Deutsche Russische Luftverkehrsgesellschaft, or Deruluft. This was an alliance begun in November 1921 to fly between German cities and eastern Europe, including the then-independent Baltic states.

Mr Vladimir Potapov, director-general of Aeroflot's international air services, said: "We want to return to that (relationship)." Such an alliance would go beyond the joint venture it already has with Lufthansa to modernise Moscow's Sheremetievo airport.

Mr Potapov gave no more details of talks with Lufthansa on further co-operation, but said work was progressing despite problems with financing the DM800m (£277m) airport project. The main problem was that plans for a loan from a consortium of German banks needed new guarantees.

Compromise on tied-aid rules

By David Dodwell, World Trade Editor, in Paris

THE Organisation for Economic Co-operation and Development has forged a compromise over the transition to tough new rules intended to stop aid funds being mixed with commercial loans to help exporters win contracts.

The compromise, which emerged last week, is expected to defuse a row between the US and Spain over two unusually large Spanish credit lines to Mexico and Venezuela which were rushed through before curbs on mixing aid with commercial credits came into force on February 15.

At the same time, efforts by the OECD to get member states to report outstanding unused tied credits have achieved little success. Just six of its 24 member states have disclosed their aid "overhang", none of them leading users of tied aid. No replies have been received from Japan, the UK, France, Italy, Germany or the US.

OECD efforts to eliminate "mixed credits", in which governments cheapen the cost of loans for projects in target markets by mixing aid funds with pure commercial credits, have made significant progress. Rules that came into force on February 15 limit tied aid to projects that are not commercially viable. They also ban the use of tied aid for loans to better-off developing countries – defined as those with gross national product per capita of $2,465 (£1,400) or more in 1990.

The controversial Spanish credits were seen as an abuse of both principles. The credits, of SDR723m (£567.55m) to Mexico, and SDR650m to Venezuela, were among the five largest credits ever notified to the OECD, and compared with total Spanish aid in 1990 of $800m.

The compromise agreed this week will not force Spain to withdraw the credit lines, but their lives will be strictly limited. They can be assigned to projects – even those that are seen as commercially viable – up to December 31 this year, and must be notified to the OECD by then.

The special transition rules for other existing unused tied credits will allow countries to notify projects to be funded by these credits up to August 15 this year. Tied credits are normally valid for two years after signature. Under the new rules, it will not be possible to prolong them.

Up to August 15, it will be possible to use these credits even in countries with per capita GNP above the agreed threshold. But for the rest of the life of the credit, it can be used only for non-commercial projects.

The aim of the changes is to boost aid flows to the world's most needy countries, and into non-commercial but important projects.

Nationalism prompts split in Slovak party

By Arlane Genillard in Prague

SLOVAKIA'S ruling right-wing party, the Christian Democratic Movement, splintered at the weekend after two powerful leaders left to create their own nationalist-based party.

The division will further weaken the position of right-wing parties in the Slovak republic in advance of June's general elections in Czechoslovakia. It also highlights the growing nationalism pervading all political parties in the Slovak republic.

Both the Christian Democratics, led by the Slovak prime minister Mr Jan Carnogursky, and their coalition partner in the Slovak government, ODU-VPN, support the economic reforms drawn up in Prague and the disputed federal system in Czechoslovakia. But their popularity has been ebbing as Slovaks, faced with greater economic hardship than their Czech neighbours, prefer to back nationalist parties increasingly critical of Prague. The Christian Democrats agreed to allow Mr Jan Klepac and Mr Wilhem Oberhauser to set up a rival party based on a more left-wing and nationalist platform.

Budget cuts stand little chance of success

By Christopher Bobinski in Warsaw

PLANNED budget spending cuts by Poland's embattled centre-right government led by Mr Jan Olszewski stand little chance of winning a majority in parliament when the document comes up for debate next month.

The International Monetary Fund has told the government that the budget deficit must stay within 5 per cent of GDP to guard against re-igniting inflation. Should this target be over-stepped, then Poland will jeopardise its chances of putting relations with the IMF back on an even keel.

Mr Olszewski's government has managed to find cuts worth Zl37,000bn (£1.59bn), and is seeking further savings of Zl27,000bn to cut the budget deficit to its Zl65,500bn target.

However, a cabinet meeting on Friday heard that the proposed budget would mean cuts in subsidies to rail travel and coal production as well as job losses for school teachers and health service employees.

Last Thursday, parliament voted overwhelmingly for spending on health and education to be kept at last year's levels in real terms and is unlikely to accept the proposed cuts.

Mr Olszewski has said he will resign if the draft is not approved by the politically-fragmented parliament, where nine parties jockey for position.

The World Bank has also warned the Poles that the budget deficit must be kept under control and is urging speedy privatisation and growth in the level of exports as the means of breaking out of the current impasse.

West hides behind Polish tariffs

Car makers show protective instincts, writes Christopher Bobinski

THE EUROPEAN MARKET

POLISH manufacturers who have seen domestic markets eroded as a result of foreign competition never tire of appealing to the government for more protection.

Lately though their case has been strengthened as they have watched western car makers exhibiting similar instincts in talks on investment deals in Poland.

After all, it was GM Europe which asked Poland to introduce a 35 per cent import tariff on cars as a condition of establishing its joint venture with Warsaw's ailing FSO plant agreed two weeks ago. And Fiat, which is still negotiating the purchase of a 51 per cent stake in the FSM plant in southern Poland, where its new Cinquecento model is being produced, is not averse to taking advantage of the resulting tariff wall that came in at the start of the year.

The EC reluctantly agreed to let the Poles raise the duty on cars from last year's 15 per cent to 35 per cent and included this in Poland's association agreement which aims to liberalise trade in industrial goods by the end of the century.

At the same time Brussels insisted that the tariff be gradually reduced to zero over the next ten years. It also got a duty free import quota of 30,000 cars from EC producers out of the Poles, thus effectively excluding Japanese manufacturers.

Under the initial agreement with the Poles, GM will assemble up to 35,000 Opel Astra models a year at FSO and will examine the possibility of producing a new model there to replace the outdated FSO Polonez.

However, much of GM's $75m investment could well be financed through increased sales volumes in Poland under the duty free quota. Indeed earlier talks with GM before Christmas broke up without agreement when the outgoing Polish government decided that the revenues it would forego by giving GM the 40 per cent of the duty free import quota it wanted would be greater than the $75m GM was willing to put on the table.

But the present centre-right government under Mr Jan Olszewski, which is keen to prove it wants western investment, decided to go ahead, trusting to GM's assurances that there would be more investment in FSO in coming years.

In January Mr Adam Glapinski, the new foreign trade minister, decreed that one third of the quota should go to Fiat, a third to GM and the rest to Volkswagen, on condition that each invested at least $50m in production capacity in Poland.

VW is negotiating a joint venture with FSR, a small pick-up plant near Poznan where it would assemble the Toyota Hi-Lux pick-up now being built in Hanover.

The quota decision effectively soaked up the market for new imported cars. Although Poles imported about 300,000 used vehicles from abroad last year, the number of new models sold in the country through recognised dealer networks amounted to no more than 28,000.

The decision also raised howls of protest from French manufacturers who had planned to boost their sales in Poland this year and had spent heavily on developing retail and service networks. The French government got Brussels to suspend the car trading clauses in the association agreement pending talks aimed at getting Mr Glapinski's decision changed. The talks will take place this month.

Meanwhile Renault is pointing out that it is investing "over $50m" in a retail network with a view to increasing sales in Poland from last year's 1,600 vehicles to an ambitious 15,000 cars this year. Citroën, whose offer to invest in FSO was deemed less attractive than GM's, is in a similar position.

Mr Jacques Calvet, chief executive of the Peugeot group which includes Citroën, said the company was continuing to pursue a joint venture with FSO, despite the memorandum of understanding with GM.

Peugeot was also negotiating a separate joint venture with FSC, a small van maker, for the possible assembly of the Peugeot 405 large family car in Lublin, he said.

Mr Xavier Karcher, head of the Citroën division, said the company was negotiating with FSO with a view to assembling the Citroën BX in Warsaw as a replacement for the FSO Polonez in direct competition with the plan by General Motors to develop an Opel car to replace the old Polish car range.

Mr Karcher insisted that Citroën could still win a deal with FSO for the more ambitious second stage of the modernisation of the FSO facilities.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenberg 4, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd. 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

INTERNATIONAL NEWS

Long-haul campaign will portray Ankara as EC's invaluable partner

Turkey switches tactics in bid to join Community

By David Buchan, recently in Istanbul

TURKEY has switched tactics in its bid to join the EC, away from demanding early admission and towards a long-haul campaign portraying itself as the new regional power in central Asia and therefore as Europe's invaluable partner.

Interviews with leaders of the new government this weekend confirmed its sights are still set on joining the EC, but that they have more immediate regional hopes and fears to preoccupy them. Paradoxically, banging less loudly on Brussels' door and devoting itself more to its regional concerns may improve Turkey's still-long-shot chances of gaining admission to the EC club.

Over time, the EC may be less inclined to look down on a Turkey increasingly looked up to by the Caucasian and central Asian republics as their model for achieving democratic capitalism. For all Turkish politicians, except those of the fundamentalist Welfare party, EC membership seems the main goal. Even the most distant prospect of membership has been a spur to improving the country's human rights and economic performance, the issues on which prime minister Suleiman Demirel won power last year.

But though Turkey led, in 1987, the latest wave of EC applications, it keeps being sent to the back of the queue. Some Turkish politicians take this badly, notably President Turgut Ozal who masterminded the 1987 application. He sees EC criticism of Turkey's human rights records as "a made-up reason why Turkey should not join the EC. The real reason is that we are Moslem".

Mr Demirel professes to be more relaxed. He dismisses Mr Ozal's anti-Moslem theory. "We want to live and breathe in Europe. This is modern Turkey's choice and we don't care how long it takes". Mr Ozal wants to plunge into the only possible arrangement on offer from Brussels for the foreseeable future: a customs union in 1996. Only Turkish textile makers, the EC's largest supplier and frequent target of its dumping inquiries, would welcome such free trade. Most Turkish industrialists quiver at the thought of the cold blast free EC competition would send through their protected sectors.

Paradoxically, banging less loudly on Brussels' door and devoting itself to cultivating its regional concerns, may in the end improve Turkey's long-shot chances of gaining admission to the EC club

They want some off-setting aid from Brussels, like the EC's Ecu600m ($750m) protocol long blocked by Greece. But speaking to Brussels-based journalists, Mr Ozal said on Friday: "Let's have the customs union even without the financial aid." But the next day, Mr Demirel gave another indication he intends to use the operational powers he has as prime minister to play a cooler game towards the EC. "At the moment, I think the customs union would be beneficial for Turkey, but there are four more years to go."


Demirel: relaxed

Few leading Turks think the ex-Soviet republics in the Caucasus and central Asia offer any economic or political alternative to the EC. Mr Ozal and Mr Demirel acknowledge the regional leadership role thrust on their country, but caution that Turkey, especially without western aid, can only make a modest impact. But Ankara ministries and Istanbul boardrooms are abuzz with plans for government aid, private ventures, and university scholarships for their Turkic cousins in the Commonwealth of Independent States (CIS).

This wider, eastern strategy of Turkey's is put at risk by the fighting in Nagorno-Karabakh, and the likelihood of Turkey siding with fellow-Moslem Azeris in the conflict. For this reason, Mr Demirel was at pains to dismiss sabre-rattling talk from President Ozal.

Signs are that Brussels is picking up Ankara's idea whereby the EC would lend central Asian CIS republics money to buy goods from Turkey. The Commission now wants to have diplomatic and economic ties with Asian, as well as European, members of the CIS.

If this happens, and if Greece continues to prevent Ecus going to Turkey, the latter will be, as one EC Commission official noted, "the only country between the Straits of Gibraltar and the Sea of Japan not to get EC aid".

But while Turkey may now have more geo-political worth to the EC, it still gets little EC esteem for its human rights record. The Demirel government may now be treating its Kurds better than the previous Motherland Party government did, and certainly better than Iraq and Iran treat their Kurds, But the question of any formal autonomy, of the kind that might separate most Kurds from the militants of the separatist Kurdish Workers Party (PKK), is still taboo.

Turkey's problem with the EC is it is chasing a moving target, a Community which keeps setting itself higher sights in terms of political and monetary union and which, as it enlarges to take in Scandinavians, will become more, not less, sensitive about human rights. But, says Mr Demirel, "we do not assume we will never reach the standards of Europe".

India may face snap poll if Rao loses vote today

By David Housego in New Delhi

INDIA'S political parties were yesterday facing the possibility of a snap general election if Prime Minister Narasimha Rao's government is defeated in a key parliamentary vote today.

Most observers believe an early election remains unlikely. But hurried meetings yesterday of the Congress party and the opposition groupings reflect the nervousness of politicians that the country could tumble into an early election.

Mr Rao's government is not sure of obtaining an absolute majority in the parliament today to defeat an Opposition motion condemning the administration's handling of inflation and unemployment.

The initial intention of the Opposition Hindu Bharatiya Janata Party (BJP) and the left parties had been simply to embarrass and humiliate the government through defeating it on an amendment. But at the end of last week, the prime minister responded with brinkmanship of his own by declaring that he would regard any defeat as bringing about the resignation of his government.

Mr Rao took such an extreme step in part to ensure he gets full party support in today's vote. But his move also reflects a cold calculation by the Congress party that it might substantially improve its parliamentary position in an early poll.

This reassessment of the Congress party's strategy comes at a time when the Congress did unexpectedly well in recent local elections in the Punjab and Bombay, and when the BJP is in disarray following its ill-planned march on Kashmir.


Rao: Brinkmanship

The BJP, however, responded to the prime minister's brinkmanship yesterday with a display of cold nerves itself. The party's spokesman said that "nothing can be ruled out in Monday's showdown". But he added that if the government fell, it would be the responsibility of the Congress party.

The political crisis comes at a moment when the country's stock markets are due to open today after being closed since Wednesday in a bid to curb speculative fever.

In an unprecedented move, the presidents of the main stock markets called on investors to be cautious when the markets open.

Ivory Coast clamps down on opposition

By Julian Ozanne in Abidjan, Ivory Coast

MR Alasane Ouattara, prime minister of the Ivory Coast, has promised stiff measures against the political opposition, students and "law breakers" whose activities, he said, threatened one of the most far-reaching structural adjustment programmes under way in Africa.

In an interview with the Financial Times, Mr Ouattara said: "Last year we went through a tough period cleansing the economy, making it healthier. Now it is time to cleanse the political environment."

Since January the wave of anti-government demonstrations organised by students and the main opposition party, the Ivorian Popular Front (FPI) have erupted into violent rioting and destruction of property and cars on the streets of Abidjan.

Last Friday the court gave jail sentences to 12 people for involvement in the most recent incident. Among those sentenced was Mr Laurent Gbagbo, leader of the FPI and a member of the National Assembly.

Reacting to the controversial court decision Mr Ouattara said: "They will have to know there are laws and if they break them they must be punished. We need a responsible opposition."

The prime minister said his 18-month-old "technocratic" government had moved swiftly to resuscitate the ailing economy, hit by falling prices, negative economic growth and external debts of $14bn.

Last year the government moved from a four-year deficit into a surplus of CFA15bn ($54m) on the budget balance before debt service payment. Radical measures to restructure an estimated CFA1,100bn of domestic debt, including CFA450bn of arrears owed to the banking sector, are also under way.

Mr Ouattara said his government's privatisation programme would be speeded up over the next 12 months with eight companies including the telecommunication giant sold off to private investors. He ruled out devaluation of the West African franc zone.

Mitsotakis tries to calm shooting row

By Kerin Hope in Athens

MR Constantine Mitsotakis, the Greek prime minister, has expressed regret over an incident on Friday in which the captain of a Turkish fishing boat was shot and killed after ramming a Greek Navy patrol vessel off the island of Leros.

Mr Mitsotakis said he was sorry about the shooting and hoped this "small problem will not affect Greek-Turkish relations in a more permanent way."

A Greek merchant marine ministry announcement issued earlier did not mention the captain's death, saying only that shots were exchanged as the Turkish vessel was being chased out of Greek territorial waters.

It was the first death reported in this kind of incident, which occurs fairly regularly in the narrow straits between the eastern Greek islands and Turkey.

Greek-Turkish tension was already high after the collapse last week of the latest round of United Nations-sponsored talks on the reuniting of Cyprus.

Dehaene government sworn in

By David Buchan in Brussels

MR Jean-Luc Dehaene has been sworn in to succeed Mr Wilfried Martens, western Europe's longest-serving leader, at the head of Belgium's centre-left government.

After he and 15 other members of a slimmed-down cabinet were sworn into office by King Baudouin at the weekend, Mr Dehaene, 51, said he had tried, but failed, to find a ministerial post for his fellow-Flemish Christian Democrat and long-time mentor, Mr Martens. He had faced opposition from his party rank and file which wanted a change after the eight Martens' governments over the past 13 years.

Continuity of a relatively restrictive fiscal policy and modernisation of Belgium's financial structure is assured by the fact that Mr Philippe Maystadt, a French-speaking Christian Democrat, remains finance minister. But little change is generally expected from a ruling coalition containing the same four French and Flemish-speaking Christian Democrat and socialist parties as its predecessor.

Now Belgium has a proper government for the first time since November 24, Air France's acquisition of a stake in Sabena, the Belgian state carrier, is likely. The Martens government was unable to decide on the deal, but Mr Bernard Attali, head of Air France, said yesterday he was sure it would soon go through.

US concern over Argentine missile link to Baghdad

By Jimmy Burns and Alan Friedman

THE US is finding it difficult to obtain from Argentina key information about its Condor missile project, raising concern about the extent of transfers made to a sister-project in Baghdad that was part of Iraq's nuclear-capable missile development programme.

In a widely-publicised move last month, the Argentine government handed over control of the project to the National Commission on Space Affairs, which reports directly to President Carlos Menem.

At the same time, the Argentine government made a public commitment that "all projects with warlike purposes or goals to obtain armaments of mass destruction" had been "totally abandoned."

While Argentina's commitment to non-proliferation does not appear now in doubt, Western observers believe that the more crucial issue of the Condor's wider use to Iraq remains unresolved. The US is understood to have been seeking detailed information about solid-fuel motors and guidance technology developed at the Condor's production plant in Falda del Carmen, near Cordoba, and which are thought to have been shipped to Iraq.

The Falda del Carmen site included a parabolic antenna for the transmission of point-to-point microwave signals that the US believes carried data between Argentina and Iraqi procurement agents working in a network of front companies in Austria and Switzerland.

Washington's request for details about Argentina's plans for the Condor project has been conveyed to Buenos Aires in a series of communications from officials in the state department and from others in the Bush administration.

Officials in Washington say the Argentine air force has thus far provided only sketchy information about the project.

The original plans for the project have mysteriously disappeared from air force archives over the past 18 months.

In the words of one western observer: "The Argentine civilian government doesn't have records of what went out from the project."

A state department official said yesterday that the US had "an ongoing dialogue with Buenos Aires" about the Condor missile project. But a US investigator tracking one portion of the Condor project disclosed yesterday that "parts of the US government have had very good information on the Agentine-Iraqi links because the US had a deep cover agent working in the Condor procurement network in Switzerland and Austria."

The Condor project is thought to have cost Iraq, Argentina and Egypt a total of $4bn-$5bn between 1984 and 1991, with funding coming mainly from Baghdad, technology flows going through Egypt and Jordan, and Argentina being used as a site for the development of a prototype and testing.

The Argentine side of the project, which cost an estimated $800m between 1985 and 1989, officially ran out of steam two years ago because of lack of additional funds.

Corruption is 'dagger that twists deep in my heart' says Collor

By Christina Lamb in Rio de Janeiro

BRAZIL'S President Fernando Collor has admitted for the first time the damage caused by the wave of corruption scandals surrounding his government.

In an interview with O Globo newspaper at the weekend, Mr Collor said: "It's as though there was a dagger in my heart that cannot be pulled out. It just twists and twists further in, but I tell myself: Bear it, Collor, bear it".

Mr Collor came to power two years ago on an anti-corruption ticket, pledging not to make the numerous ministerial changes of previous governments. However, all but one of his original cabinet have been sacked or resigned, most under a cloud.

Police are currently investigating the health and labour ministers, who were dismissed last month. Mr Alceni Guerra, the former health minister, allegedly favoured friends with contracts at highly-inflated prices. Mr Antonio Magri, the ex-labour minister and union leader, was allegedly taped explaining to a subordinate how he had received $30,000 from a company for parcelling out its social security dues.


Collor: first admission

Describing it "like money falling from the sky," he allegedly suggested they work together. He now claims this was an "honesty test".

For the first time, Mr Collor referred to his former economy minister, Ms Zelia Cardoso, who resigned last May, shocking the country with publication of an authorised biography detailing her personal life while in office.

Mr Collor said: "It was the first time a woman had held such an important position. No super-minister of previous governments had so much power. She wasted an historic opportunity."

Mandela and Botha intervene in referendum

By Patti Waldmeir in Johannesburg

BOTH African National Congress President Nelson Mandela and former President P.W. Botha made strong interventions yesterday in the run-up to next week's whites-only referendum on ending apartheid, the former appealing for strong "yes" vote and the other saying approval would mean suicide for the Afrikaner people.

Neither, however, will have helped the cause of President F.W. de Klerk, who has staked his political future on achieving a landslide "yes" vote in the March 17 referendum.

Mr Mandela's plea, carried in the mass circulation Sunday Times newspaper, was aimed at white members of the ANC, who are very few in number. But the ultra-right Conservative Party can use his message of support as proof that he and Mr de Klerk are in alliance together – a charge which the Conservatives have exploited to frighten whites who oppose black rule.

At a weekend Conservative Party rally, one poster showed Mr de Klerk as a tiny figure begging at the knee of Mr Mandela, with the slogan "No to Mandela and his Klerk."

Mr Mandela yesterday promised a political system "in which all the country's inhabitants feel secure."

But he warned that a "no" vote would be read as a declaration of war by blacks, adding "if the hopes of the majority of South Africans . . . are once more thwarted, the stress and upheavals of the past will be like a game of marbles."

Mr Botha's call for a "no" vote will also bolster the Conservative campaign. He told a weekend newspaper that a "yes" vote would lead to a government dominated by the ANC and its close ally, the South African Communist Party.

Ironically, it was Mr Botha who initiated the political reforms pursued so dramatically by Mr de Klerk. But the two have often quarrelled since Mr Botha resigned as President in August 1989.

The threat of a Communist takeover was also raised by right-wing parties at their weekend rally, with Mr Eugene Terre'blanche, the most powerful orator of the right, claiming that the referendum was a choice between "God and the communists."

However the rally, organised by the Conservative Party, the neo-Nazi Afrikaner Weerstandsbeweging (Afrikaner Resistance Movement) and the Herstigte Nasionale Party (Reconstituted National Party) was clearly a disappointment to the organisers.

They had predicted tens of thousands would attend the rally, but only around 3,000 people turned up, some dressed in the khaki uniform of the Afrikaner Resistance Movement.

US imposes fines for Libyan links

By Our Middle East Staff

THE US has fined six companies a total of $550,000 (£312,500) for violating sanctions against Libya imposed in 1986 for alleged Libyan terrorism in Europe.

The US Treasury Department's Office of Foreign Assets Control (OFAC), announcing the fines, said this was a "warning to companies throughout the world that they may not do business with Libya from or through the United States."

OFAC also said the measures underscored the US administration's "determination in dealing with the terrorist regime of Muammer Gadaffi."

Among companies named by OFAC were Fina Exploration Libya, a subsidiary of Petrofina; Security Pacific International Bank; Vitol S.A. Inc, a Houston company; Energoprojekt, based in Yugoslavia; Generale Bank in New York, and Jogobanka of Yugoslavia.

The latest OFAC listings coincide with steps at the United Nations to impose limited sanctions against Libya over its refusal to hand over to the US or Britain two Libyans allegedly involved in the 1988 bombing of a Pan Am jet over Lockerbie, Scotland.

US companies have been banned from doing business with some 60 commercial enterprises and two dozen individuals regarded as Libyan or Libyan-controlled.

● Malta has not and will not offer to host a trial of Libyans suspected of blowing up a Pan Am airliner, an official government statement said yesterday, Reuter reports from Cairo.

"The position of the government of Malta is that it has made no offer to host any trial. Nor has it any intention to make such an offer," said the government statement.

It was clarifying remarks by Maltese foreign minister Guido de Marco, who Malta would consider a Libyan proposal to allow the two suspects to be tried on the island "if the parties involved agreed".

Japanese government seeks to nurse an ailing yen

By Robert Thomson in Tokyo

THE JAPANESE government, having begun the year fearing that a strong yen would spiral ever higher, was yesterday contemplating new ways of bolstering a surprisingly weak yen that is showing signs of becoming even weaker.

Officials at the Ministry of Finance and the Bank of Japan gathered to discuss the currency's weakness and indicated that the central bank may buy the German mark this week in an indirect attempt to strengthen the yen by undermining the US dollar.

Tokyo has been bewildered by the course of the currency in recent weeks and is worried that the yen's weakness, which benefits Japan's export industries, will fuel an already surging trade surplus and create more problems in US relations.

Meanwhile, the Bank of Japan, under extreme political pressure to stimulate the a slowing domestic economy by cutting official interest rates, is having to balance the timing of the cut with concerns that a reduction could further weaken the yen.

The government has also been confused by US tolerance of the dollar's strength.

US officials had called for yen appreciation in the period before and immediately after President George Bush's controversial visit to Japan in January, when an apparently fragile dollar traded at Y122.

At the time, Japanese executives publicly discussed whether their companies would be able to cope with Y110 to the dollar, but, instead, the yen headed quickly in the opposite direction.

Late last week, it was just below Y132 and there was talk on the Tokyo foreign exchange market that the Y140 level would soon be tested.

Dealers are convinced that the Bush administration has changed its policy priorities and is happy to see the dollar strengthen in tandem with signs of US economic recovery.

Mr Tomio Kudo, director of foreign exchange at Meltan Tradition, said that the yen's turnaround is a result of the breakdown of currency co-ordination among the Group of Seven industrialised countries.

"There appeared to be international agreement on the need for a strong yen, but there was no evidence that the US was supporting the Japanese currency," Mr Kudo said.

"When intervention didn't come, traders who had positions against the dollar had to make corrections, and this movement strengthened the dollar."

Other traders said that the slowing of the Japanese economy and the surfacing of new political scandals had prompted a international reassessment of the yen's worth, even though the country's current account surplus is likely to reach a record high this year.

Mr Tsutomu Hata, the finance minister, blamed "speculators" for the yen's weakness, saying that the present exchange rates "do not reflect economic fundamentals." He indicated Tokyo's concerns about trade friction by saying: "A strong dollar will not help the US increase exports."

Ms Chiharu Shima, an economist at UBS Phillips & Drew, said the Bank of Japan is likely to reduce the official discount rate (ODR) from 4.5 per cent to 4 per cent in the near future but that the timing of the announcement has been complicated by the unexpected currency fluctuations.

"There is a perception among foreigners that the Japanese economy is in really bad shape, but Japanese dealers tend to think the foreign reaction is too strong," Ms Shima said.

"It is interesting that the US doesn't seem so concerned about the effects on Japan's trade surplus."

Textile trade pulls wool over eyes of consumers

By Yvonne Preston in Beijing

THE label on the dark grey Chinese-made men's suit claimed "pure new wool," and bore the International Wool Secretariat's symbol of quality, the Woolmark. Analysis showed the suit to be 68.1 per cent polyester.

The label on a made-in-China sweater combined the pure wool symbol with the equally famous Lacoste crocodile and the slogan "pure cotton."

The fake marks are the tip of an iceberg of Chinese abuse of international trademarks, licences, copyright and patents, which has angered businessmen and traders and earlier this year invited the threat of US trade sanctions.

Alerted to the Woolmark abuse, the International Wool Secretariat began collecting evidence and at a press conference in Beijing warned of tough action against the culprits. Most are small township and rural enterprises in the freewheeling southern and eastern coastal provinces of Zhejiang, Guangdong and Hebei, where enterprising private manufacturers are producing fake wines, fake watches, fake bicycles and falsely labelled garments.

Manufacturers bring in a suit from Taiwan or Hong Kong, pull it to pieces and remake it, down to its Made in Hong Kong label and the Hong Kong licence or serial number. Rolls of appropriate labels are available in city markets. In Tianjin the IWS found stick-on Woolmarks which attached to a suit could double its price.

The Ministry of Textile Industry said the market was full of fakes and it could do nothing, but the Chinese Patent Agency, faced with mounting criticism abroad of China's abuse of registered trademarks, took action.

Some private stores in Beijing's main shopping street have been fined, but fines are too small to be a deterrent.

China to start HK consultations with UK today

Qian Qichen: UK to press China on human rights

QIAN QICHEN, China's foreign minister, holds talks today in London with the British government as part of a consultation process over Hong Kong established when Mr John Major, the prime minister, visited Beijing last September to sign an agreement on the territory's new airport, writes Alexander Nicoll, Asia editor.

Britain and China agreed on six-monthly meetings at foreign secretary level in order to head off misunderstandings such as the dispute over the airport. China will assume sovereignty over the British colony in 1997.

As well as meeting Mr Douglas Hurd, foreign secretary, Qian will see Mr Major and two of his Conservative predecessors, Mr Edward Heath and Mrs Margaret Thatcher, and Mr Gerald Kaufman, Labour's foreign affairs spokesman.

Mr Major is expected to raise human rights as well as arms control and issues of common interest to the two countries as permanent members of the UN Security Council, including the progress of the Cambodian peace process.

During his Beijing visit, Mr Major said he would take a personal interest in Mr Hurd's discussions on human rights with Qian.

He said Britain intended to maintain "unrelenting and unremitting" pressure to win the release of political dissidents and other detainees, and presented Li Peng, China's prime minister, with a list of individual cases.

In their talks on Hong Kong, Mr Hurd and Qian are expected to discuss the promotion of investment, a new air service agreement, arrangements for a British consulate-general in Hong Kong, Vietnamese boat people, and the work of the Joint Liaison Group which maps out the detailed arrangements for Hong Kong's future.

Mr Hurd is not expected to discuss with Qian two issues of burning interest in Hong Kong: the governorship and the speed of the introduction of democratic processes.

Lord Wilson, present governor, is to retire this year and London is expected to appoint his successor, likely to be the last UK-appointed governor, after the elections. The government is unlikely to consult Beijing on the appointment.

Mr Hurd has said that he would raise with China the question of accelerating the pace of democratic reform in Hong Kong beyond that already agreed with Beijing. However, he is understood to believe that the time is not yet ripe to do so.

The Chinese government rules out a revision of Hong Kong's Basic Law to accommodate a larger number of directly elected seats on the Legislative Council.

Premier hints at possibility of political reform

Colina MacDougall perceives a shifting of emphasis in the Chinese leader's attitudes

FOR THE FIRST first time since the 1989 Tiananmen troubles, a hint of political change has dawned in China. Li Peng, China's usually hardline premier, declared at a State Council meeting this month that economic reform should be "matched with political reform."

This follows the initiative launched by Deng Xiaoping, the country's supreme leader, to boost economic reform, which is currently sweeping the country. Deng spent time in south China and Shanghai last month praising the "open policy" and the capitalist features of the Special Economic Zones. These SEZs, set up to attract foreign investment, display economic growth far beyond that elsewhere in China.

Diplomats in Beijing said it was unlikely that Li's remarks meant he was calling for a more pluralist system. He was more probably referring to the administrative reforms China had tried to launch in the mid-1980s. But as one diplomat noted: "Once this kind of thing is on the agenda, it's likely to stray further afield, further than the leaders want it to."

The leader of far west China's predominantly Moslem region has announced a crackdown on worsening "sabotage and subversive activities," according to an official report, AP reports from Beijing.

Tomur Dawamat, chairman of the government of the Xinjiang Autonomous Region, voiced fears held by Chinese leaders that the break-up of the Soviet Union and independence for its former republics would encourage China's own restive minorities, most of whom live in remote, border areas. "The changeable international situation has affected and is still affecting Xinjiang's social stability," Tomur said.

Xinjiang borders the newly independent republics of Kazakhstan, Kirghizstan and Tajikistan, and many Xinjiang residents share the same culture, language and blood ties with residents across the border.

Li's comments are the latest and most important sign yet of a possible victory for the reformers in China's long-running battle with the conservatives.

But the trend had already begun. Towards the end of last month even the People's Daily, for the 33 months since Tiananmen the chief mouthpiece for a tough line demanding Chinese-style socialism, switched to urging boldness and experiment.

Reports have even surfaced of the possible rehabilitation of Zhao Ziyang, the party leader dismissed because of his soft line towards the demonstrators in the Tiananmen protests.

One party insider was reported as saying that Zhao, who has been virtually under house arrest since June 1989, had recently been consulted on economic policy.

Even the hardliners seem reluctantly to have agreed that economic reform is required to maintain stability, since growing living standards mean less discontent. Deng's speeches in the SEZs of the south are now being studied throughout China, in preparation for the session of the National People's Congress, the rubber-stamp parliament, later this month.

The evaporation of Marxism-Leninism in the formerly socialist world may have something to do with this new approach. Deng was probably speaking for all worried officials when he reportedly noted in Shenzhen, the SEZ adjoining Hong Kong: "Everything can collapse very quickly if mismanaged. Did east Europe and the Soviet Union not crumble overnight?"

Deng has apparently not minced words in his battle against the conservatives for economic reform. In his speeches reportedly conveyed to the enlarged meeting of the politburo in mid-February by Jiang Zemin, the party leader and Deng protégé, he declared: "Some comrades have opposed opening up right from the start...not just once, but consistently." All this year the Hong Kong Chinese press, which often has excellent contacts inside China, has been awash with tales of disputes between him and the old guard.

The elders are fighting for more than their own positions. They plan to ensure their children will inherit power on their demise since they can probably be trusted to continue the party line.

Many hold key jobs in the hierarchy, unsurprisingly in a society where the concept of family holds sway. As the conservative patriarch Chen Yun said a few weeks ago, "the children will not pull down the monuments of their parents."

Chen Yun's son, Chen Yuan, is a vice-governor of the People's Bank of China, the central bank. Wang Zhen's son Wang Jun is a director of the key China International Trust and Investment Corporation. Deng's own children are in top positions, with a son-in-law controlling a major part of China's arms sales.

More than half the potential central committee candidates (to be elected at the forthcoming party congress) are the offspring of high-level officials, the "party of princes," as the Hong Kong Chinese press ironically calls them.

This does not mean they share the political views of their parents (foreigners who have met them believe they are more liberal than the previous generation) but they are certain to support the power of party rule since it confers privilege.

The leaders, Deng included, draw a sharp distinction between economic and genuinely political issues. But since all the previous bursts of economic reform have been followed by rising political demands, it remains to be seen whether Beijing can successfully ride the tiger.

INTERNATIONAL ECONOMIC INDICATORS: GOVERNMENT FINANCE

This table shows the main series relevant to the international comparison of general government finance. The first tier gives an overview, and the second and third tiers give a breakdown of revenue and expenditure respectively. All figures are expressed as percentages of nominal GDP/GNP.

UNITED STATES

OVERVIEW	Revenue	Expenditure	Primary Balance	Gross Debt	Net Debt
1970	28.9	31.7	0.2	45.6	30.0
1975	28.8	34.7	−2.9	42.6	24.4
1980	30.8	33.7	0.0	37.7	19.5
1985	31.3	36.7	−1.0	48.8	27.4
1987	32 0	36.8	−0.1	52.9	31.1
1988	31.5	36.1	0.2	53.8	31.4
1989	31.8	36.1	0.7	54.2	30.8
1990	31.9	37.0	0.1	56.9	34.5
REVENUE	**Personal Income**	**Corporate Income**	**Indirect Taxation**	**Social Security**	**Property**
1970	10 3	3.7	5.6	5.6	4.0
1975	9 5	3.1	5.4	7.1	3.8
1980	10.9	3 0	4.9	7.7	3.0
1985	10.4	2.1	5.2	8.6	2.9
1987	10.9	2.4	5.0	8.7	3.1
1988	10.4	2.5	5.0	8.8	3.1
1989	10.7	2.6	4.9	8.8	3.1
EXPENDITURE	**Consumption**	**Investment**	**Transfers**	**Health Spending**	**Education Spending**
1970	18.8	2.5	7.6	7.4	n.a
1975	18.6	2.1	10.1	9.1	n.a
1980	17.6	1.8	10.9	9.2	n.a
1985	18.4	1.6	11.0	10.6	n.a
1987	18 6	1.6	10.8	11.2	4.5
1988	18.3	1.6	10.6	n.a	n.a
1989	17.9	1.6	10.8	n.a	n.a

JAPAN

OVERVIEW	Revenue	Expenditure	Primary Balance	Gross Debt	Net Debt
1970	20.6	19.4	1.3	12.1	−6.5
1975	24.0	27.2	−2.9	22.4	−2.1
1980	27.6	32.6	−3.4	12.1	17.3
1985	30.8	32.3	0.9	68.5	26.6
1987	32.6	32.8	1.7	74.4	21.4
1988	33.1	32.2	2.5	72.4	17.7
1989	33.3	31.5	3.3	70.2	14.6
1990	32.8	30.7	3.3	66.4	10.9
REVENUE	**Personal Income**	**Corporate Income**	**Indirect Taxation**	**Social Security**	**Property**
1970	4.2	5.2	4.4	4.4	1.5
1975	5.0	4.3	3.6	6.1	1.9
1980	6.2	5.5	4.2	7.4	2.1
1985	6.8	5.8	3.9	8.4	2.7
1987	7.1	6.8	3.8	8.5	3.3
1988	7.0	7.5	3.9	8.5	3.4
1989	7.6	7.5	3.9	8.5	3.1
EXPENDITURE	**Consumption**	**Investment**	**Transfers**	**Health Spending**	**Education Spending**
1970	7.4	4.5	4.6	4.4	n.a
1975	10.0	5.3	7.7	5.5	n.a
1980	9.8	6.1	10.1	6.4	n.a
1985	9.7	4.7	11.0	6.6	n.a
1987	9.6	5.0	11.8	6.8	4.0
1988	9.4	5.1	11.8	n.a	n.a
1989	9.3	5.0	n.a	n.a	n.a

GERMANY

OVERVIEW	Revenue	Expenditure	Primary Balance	Gross Debt	Net Debt
1970	38.3	38.6	1.9	0.2	−0.1
1975	42.7	48.9	−4.1	25.0	1.0
1980	44.7	48.3	−1.6	32.5	14.3
1985	45.6	47.5	1.1	42.5	22.0
1987	44.4	47.0	0.5	44.0	23.1
1988	43.8	46.6	0.2	44.5	23.7
1989	44.6	45.1	2.4	43.4	22.4
1990	45.0	43.3	−0.6	41.2	21.7
REVENUE	**Personal Income**	**Corporate Income**	**Indirect Taxation**	**Social Security**	**Property**
1970	8.8	1.9	10.5	10.0	1.6
1975	10.8	1.6	9.7	12.0	1.4
1980	11.3	2.1	10.3	13.1	1.2
1985	10.9	2.3	9.7	13.9	1.1
1987	11.0	1.9	9.6	14.1	1.2
1988	10.8	2.0	9.4	14.0	1.2
1989	11.2	2.1	9.7	13.8	1.2
EXPENDITURE	**Consumption**	**Investment**	**Transfers**	**Health Spending**	**Education Spending**
1970	15.8	4.6	12.7	5.5	n.a
1975	20.5	3.9	17.6	7.8	n.a
1980	20.1	3.6	16.5	7.9	n.a
1985	20.0	2.3	16.2	8.2	n.a
1987	19.8	2.4	16.1	8.1	4.4
1988	19.6	2.3	15.9	n.a	n.a
1989	18.7	2.4	15.6	n.a	n.a

FRANCE

OVERVIEW	Revenue	Expenditure	Primary Balance	Gross Debt	Net Debt
1970	38.5	38.5	1.3	n.a	n.a
1975	39.7	43.4	−1.9	25.8	11.1
1980	44.5	46.1	0.8	25.0	9.1
1985	47.6	52.2	−0.8	45.5	22.9
1987	47.4	51.1	0.3	47.3	24.8
1988	46.8	50.4	0.5	47.2	25.0
1989	46.5	49.7	1.1	46.6	24.7
1990	46.7	50.4	0.9	46.5	24.8
REVENUE	**Personal Income**	**Corporate Income**	**Indirect Taxation**	**Social Security**	**Property**
1970	4.2	2.2	13.4	12.7	1.2
1975	4.5	1.9	12.3	15.0	1.3
1980	5.4	2.1	12.7	17.8	1.5
1985	5.7	2.0	13.2	19.3	2.0
1987	5.7	2.3	13.0	19.1	2.1
1988	5.3	2.3	12.9	19.0	2.1
1989	5.2	2.4	12.6	19.2	2.2
EXPENDITURE	**Consumption**	**Investment**	**Transfers**	**Health Spending**	**Education Spending**
1970	14.7	3.6	14.8	5.8	n.a
1975	16.6	3.7	17.4	6.9	n.a
1980	18.1	3.1	19.2	7.6	n.a
1985	19.4	3.1	22.1	8.5	n.a
1987	18.8	3.0	21.7	8.5	5.4
1988	18.6	3.1	21.7	n.a	n.a
1989	18.3	3.2	21.4	n.a	n.a

ITALY

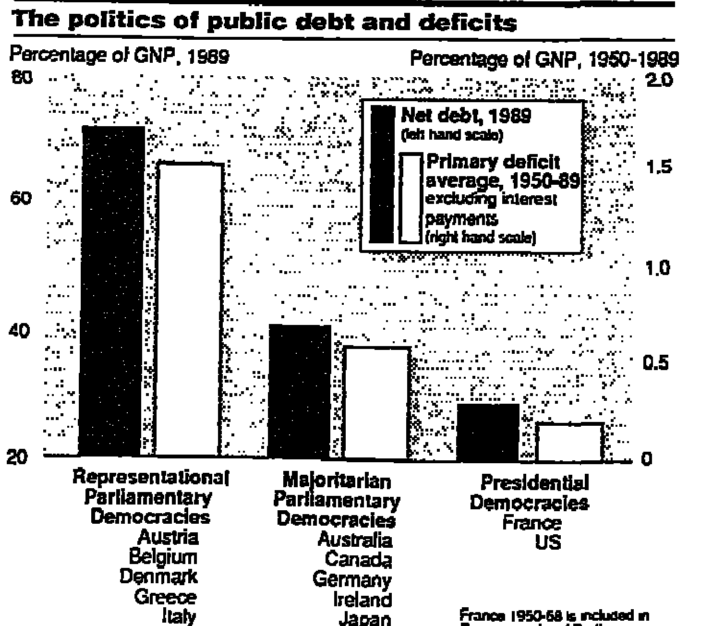
OVERVIEW	Revenue	Expenditure	Primary Balance	Gross Debt	Net Debt
1970	30.4	34.2	−3.1	n.a	n.a
1975	31.2	43.2	−10.0	59.9	66.8
1980	33.0	41.7	−3.9	61.8	67.4
1985	38.0	50.8	−5.2	84.0	81.3
1987	39.2	50.5	−3.6	93.0	90.9
1988	39.6	50.8	−3.2	95.6	93.7
1989	41.1	51.7	−1.6	98.8	95.9
1990	42.2	53.2	−1.5	101.1	98.2
REVENUE	**Personal Income**	**Corporate Income**	**Indirect Taxation**	**Social Security**	**Property**
1970	2.8	1.7	10.1	9.9	1.6
1975	4.0	1.7	7.7	12.0	0.9
1980	7.0	2.4	8.0	11.5	1.1
1985	9.2	3.2	8.7	11.9	0.9
1987	9.5	3.8	9.6	12.4	0.9
1988	9.9	3.5	10.4	12.3	0.9
1989	10.1	3.8	10.2	12.5	0.9
EXPENDITURE	**Consumption**	**Investment**	**Transfers**	**Health Spending**	**Education Spending**
1970	13.0	n.a	12.4	5.2	n.a
1975	14.1	n.a	15.7	6.1	n.a
1980	14.7	3.2	14.1	6.7	n.a
1985	16.4	3.7	17.1	6.8	n.a
1987	16.8	3.5	17.4	7.2	4.5
1988	17.0	3.4	17.5	n.a	n.a
1989	16.8	3.5	17.7	n.a	n.a

UNITED KINGDOM

OVERVIEW	Revenue	Expenditure	Primary Balance	Gross Debt	Net Debt
1970	40.2	38.8	5.2	n.a	n.a
1975	40.3	46.4	−2.5	65.3	57.4
1980	39.9	44 7	−0.3	54.9	48.0
1985	42.2	46.1	0.6	53.1	46.2
1987	40.6	43.0	1.8	49.2	42.6
1988	40.2	41.1	3.8	42.8	35.9
1989	39.7	40.9	3.7	37.3	30.6
1990	40.0	42.9	1.5	35.8	29.0
REVENUE	**Personal Income**	**Corporate Income**	**Indirect Taxation**	**Social Security**	**Property**
1970	11.6	3.3	10.6	5.1	4.6
1975	13.5	2.4	9.0	6.2	4.5
1980	10.5	2.9	10.3	5.8	4.2
1985	10.1	4.8	11.8	6.7	4.5
1987	9.9	3.9	11.6	10.3	4.9
1988	9.9	4.0	11.5	6.9	4.8
1989	9.7	4.5	11.3	6.4	4.6
EXPENDITURE	**Consumption**	**Investment**	**Transfers**	**Health Spending**	**Education Spending**
1970	17.5	4.7	8.7	4.5	n.a
1975	21.9	4.7	10.2	5.5	n.a
1980	21.2	2.4	11.7	5.8	n.a
1985	20.8	1.8	14.0	6.0	n.a
1987	20.4	1.7	13.3	6.1	4.9
1988	19.6	1.3	12.2	n.a	n.a
1989	19.4	1.8	11.9	n.a	n.a

Notes: All figures refer to general government finance. First tier (overview): The primary balance is the overall balance (revenue minus expenditure) less net interest payments on public debt. Second tier (revenue); Direct taxation (on incomes, profits and capital gains), is here split into personal and corporate. Indirect taxation is mostly that on expenditure, either general (eg VAT) or specific (eg customs duties). Also includes taxes on vehicles. Third tier (expenditure); government purchases of goods and services for consumption and for investment (gross fixed capital formation). The expenditure breakdown excludes debt interest payments, subsidies, and capital transfers. Health and Education figures include current and capital expenditure. Source: OECD.

The politics of public debt and deficits



Source : Grilli, Masciandaro & Tabellini (1991)

Taxes, public indebtedness and democracy

THE SIZE and role of the public sector is a hot political topic across the world. In the US, George Bush is in trouble with some republicans for raising taxes to cut the deficit; in the UK, the question is not whether to borrow, but instead whether a higher deficit should fund tax cuts or public investment; while in Italy, almost every politician would like to cut government borrowing, yet no politician is able to do so.

International comparisons of public spending and taxation are increasingly creeping into these national political debates. This is particularly true in Europe, because of the pressure to harmonise national tax systems and the limits on public deficits and debt contained in the Maastricht treaty. This week's special table provides an overview of the activities of the public sector in each of the six largest industrialised economies over the past twenty years. All figures are expressed as a percentage of gross domestic product and refer to "general government", which consists of central government, state, regional and local authorities and the social security system.

Europe is the continent of big government, although the public sector has grown everywhere over the past 20 years. In 1990, total government expenditure accounted for 37 per cent of GDP in the US and 31 per cent in Japan but over 50 per cent in both France and Italy. The UK remains somewhere in between, with a lower ratio of government spending to GDP than its continental European partners and less public investment than any country, except the US. European countries have also tended to rely more on indirect taxes, particularly value-added tax, and on social security taxes than either the US or Japan.

Reducing the size of the public sector has been a persistent theme of recent OECD economic reports. Public sector deficits grew rapidly in the first half of the 1980s, while rising government debt and higher real interest rates increased the burden of interest payments. But until the current economic downturn, the primary budget, excluding debt interest payments, of these countries, except Italy, had moved back into surplus.

Nevertheless, the bulk of the fiscal retrenchment among OECD countries has come about through higher taxes, rather than lower spending. Of the 1.4 percentage point fall between 1984 and 1990 in the average deficit-to-GDP ratio, revenues accounted for 0.9 percentage points and expenditures for only 0.5 percentage points. France, Germany and the UK are exceptions to this rule.

Not all OECD countries have brought their deficits and debt under control. Italy, Greece and the Netherlands, in particular, have had persistent primary budget deficits and high and rising net debt ratios. Their shared problem, according to a recent economic policy paper, lies not in the structure of their economies but in their constitutions.

All three countries are what the authors term *representational parliamentary democracies*, with five or more representatives per electoral district. These countries have tended to have shorter-lived governments and more coalition governments than either *majoritarian parliamentary democracies* with fewer representatives per district, or *presidential democracies*, where the executive is more independent of the legislature.

Indeed all those OECD countries which have seemingly unsustainable levels of public debt are representational democracies, save for Ireland and Portugal; and all the representational democracies, save for Denmark, have unsustainable fiscal policies. Representational democracies have, on average, had higher budget deficits over the past forty years, as the chart shows.

Governments do not, it seems, deliberately accumulate debt with which to burden their successors. It is countries with short-lived, minority governments, and not those with regular changes of majority government, that have tended to accumulate public debt. Weak governments, unable to take necessary decisions to cut spending or raise taxes, fall back on borrowing instead.

All of which suggests that Italy, the home of the minority government, may need to reform its constitution if it is to reduce its outstanding gross debt ratio to 60 per cent of GDP and so qualify for Emu. Proportional representation may be theoretically appealing; but too much PR can bring troublesome side-effects.

Edward Balls

V.Grilli, D.Masciandro & G.Tabellini, "Institutions and Policies," Economic Policy 13, October 1991 (Cambridge University Press).

THE

"I am proud of ICI's conservation record on Teesside. Our successful partnership there serves as a powerful example of what can be achieved by industry working together with conservationists and local communities."
Sir Denys Henderson
Chairman, ICI PLC

"Companies of local and national importance on Teesside recognise their environmental responsibilities. They prove that industry and nature can co-exist."
Professor David Bellamy

"The launch of the 2,500 acre nature reserve is a major step in the creation of a new environment on Teesside. As part of the urban regeneration of Teesside, it is change on a grand scale."
The Rt. Hon.
Michael Heseltine, MP,
Secretary of State
for the Environment

"Salmon have been absent from the Tees for over half a century and it is a measure of our faith in the recovery of the Tees that we are going to introduce over a million young salmon into the river during the next five years."
The Rt. Hon.
Lord Crickhowell
Chairman,
National Rivers Authority

"I am president of the RSNC, a Partnership of 47 Wildlife Trusts working throughout the UK to secure the future of the countryside and its wildlife. The Partnership is particularly concerned with reversing the fortunes of rivers and wetlands. They are in trouble and urgent action is needed. I welcome this new intiative to restore Teesmouth's wetlands to their former glory."
Sir David Attenborough
CVO, CBE, FRS, President, RSNC

SIDE OF TEESSIDE

Teesside has long been renowned for its industrial might. It is changing rapidly, becoming more diversified and more attractive. We are developing the largest man made nature reserve in the UK. Working with industry, bodies such as the Cleveland Wildlife Trust, and the community. Creating the new Joint University College with its emphasis on environmental courses and building the Tees Barrage. Dramatic change is taking place for the benefit of people, industry and investment.

For more details contact: Duncan Hall, Chief Executive, Teesside Development Corporation, Dunedin House, Riverside Quay, Stockton-on-Tees, Cleveland TS17 6BJ. Tel: (0642) 677123 Fax: (0642) 676123.

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UK NEWS

Election '92: Labour discusses new constitution ● Liberal Democrats seek political revival ● Tories promise economic recovery

Constitutional reform backed by Opposition

By Alison Smith

THE NEED for a new constitutional relationship between the individual, the community and the government will be spelt out today by Mr Gordon Brown, the opposition Labour party's spokesman on trade and industry.

As proportional representation is again highlighted as a way Labour could attract support from Liberal Democrats, Mr Brown will make the case for a broader constitutional agenda, including freedom of information, devolution, moves towards a written constitution and the concept of economic rights.

In the first of a series of lectures organised by Charter 88, the constitutional reform movement, Mr Brown is expected to argue that constitutional change "is not incidental but integral to our future as a country. It is not a sideshow at the election but centre stage".

Yesterday, however, Labour played down the prospects of making a commitment to proportional representation for elections to Westminster.

Party officials said the manifesto would not offer a royal commission on the subject, but would upgrade the importance of the Labour-backed electoral reform committee chaired by Professor Raymond Plant.

Mr Robin Cook, the party's health spokesman and a supporter of electoral reform said yesterday: "The Plant committee's work will continue in government and of course it will be a much more powerful and influential body then because it will not be a sub-committee of an opposition, it will be a committee, a strengthened committee reporting to a government with power to act".

Slightly ahead of the Tories according to the most recent polls, Labour is confident that the Budget, which will dominate this week, will have little effect on voting.

The party believes that its "borrowing to bribe" campaign over the past few weeks has neutralised any tax cuts, while a package of measures intended to bring about recovery will, it argues, enable it to claim that it has won the argument.

Ashdown urges votes to choose centre party

By Ralph Atkins in Glasgow

CHANGE in Britain's political system and economic revival were set at the centre of Liberal Democrat aspirations for the general election yesterday by Mr Paddy Ashdown, the party leader.

Rallying his party at a conference in Glasgow, Scotland, Mr Ashdown attacked accusations that a Liberal Democrat vote is a wasted vote. "Never before has the ground for political change been so well prepared," he said.

On the economy, he warned: "The Tories offer paralysis and Labour offer timidity." He called for public investment, an independent central bank – and hinted he would reverse any tax cuts in Tuesday's Budget.

He welcomed moves by Labour towards including moves towards proportional representation in its manifesto but the party had to "bite the bullet" and come out unequivocably in favour of reform.

He risked clouding his party's message, however, with a complex stance on Scottish "home rule." Mr Malcolm Bruce, Scottish spokesman, admitted the party was only "half way" towards persuading voters why Scotland would not have a guarantee of its rights under a devolved system until Britain has a fair and representative democracy.

Winning smile: Paddy Ashdown gets an ovation from colleagues Roy Jenkins, left, and Charles Kennedy, right

The passion among the party's 10 MPs in Scotland at the prospects of "home rule" is an emotion that could threaten the party's cohesion if Mr Ashdown sought to vote down a minority government offering devolution but not full-blown constitutional reform.

The 10 Scottish MPs do not need special concessions. In all but one of the constituencies, the main challenger is the Conservative party, not Labour or the Scottish nationalists.

Yet Mr Ashdown knows the Liberal Democrats appeal has to be broader based if he is to make an impact in constituencies in the south west and south east of England where the Alliance parties were second to the Conservatives in 1987.

So the party's MPs have agreed changes in Scotland must be subordinate to Mr Ashdown's top priority – electoral reform at Westminster.

The party's "My Vote" slogan, splashed across a giant orange sun over the Glasgow conference platform, is aimed at encouraging voters to make every ballot paper count.

"Ours will be the vote which breaks the log-jam holding back change in our country...My vote is for an election which is positive," read the peroration to Mr Ashdown's speech.

In reality, however, most Liberal Democrats fully expect Labour or the Tories to attempt to run a minority government before calling Mr Ashdown.

UK recovery 'depends on' Tory victory

By Philip Stephens, Political Editor

MR JOHN Major has launched an intense campaign to persuade the voters that a fourth Conservative term is a prerequisite for the economy's emergence from recession.

As the prime minister trailed his manifesto at a weekend conference of party activists, he stressed that the promised economic recovery now depended on a Conservative victory on April 9. Among the ideas in the manifesto will be a strategy for a new drive to regenerate inner cities.

Since the start of the year Mr Major has been blaming the length of the recession on the world economic downturn. Senior colleagues said that approach had been judged a success. The aim now was to combine the voters' awareness of the worsening international outlook with a perception that the upturn in Britain was being held back also by political uncertainty.

Mr Major foreshadowed the new strategy by telling the party's weekend local government conference that a Conservative victory was "crucial" because: "Britain is ready to come out of recession – and only a Conservative government can safely bring it out".

Government abandons pre-election plan for big bang sales of state rail network

Ministers favour piecemeal BR privatisation

By Richard Tomkins, Transport Correspondent

GOVERNMENT ministers have formally agreed to abandon plans to privatise British Rail (BR) in one "big bang" within the lifetime of the next parliament.

Instead the Conservative Party election manifesto will pave the way for a creeping denationalisation of the state railway network which could stretch to the end of the decade or beyond.

The turnabout appears to have resulted from a recognition of the overwhelming practical difficulties facing any of the suggested options for breaking up BR and selling it outright.

It is likely to be seen as a victory for Sir Bob Reid, whose short career as BR's chairman had at one stage seemed destined to culminate in the break-up and abolition of the corporation within the next five years. It will also feed the belief among some railway industry observers that the privatisation plans have been undermined by a reluctance among Department of Transport officials to see an erosion of their power base.

Under the new plan, privatisation – or denationalisation, as transport minsters are now calling it – will be a gradual process.

The first step will be to remove BR's statutory monopoly over the railways and open the tracks to anyone who wants to operate trains. This will mean setting up a regulatory authority to see that BR gives all operators equal access to its tracks and stations.

The next step will be to sell Railfreight, BR's freight division, to the private sector. This can be done quickly because the division has good profits potential and its trains do not carry voters.

Finally, the government will seek a slow and cautious transfer of BR's passenger services – but not its tracks – to the private sector.

Services, or groups of services, which deliver returns high enough to satisfy the private sector could be sold outright. Loss-making but socially necessary services could be franchised out to operators requiring the lowest subsidies.

Eventually, when all Britain's train services are being operated by the private sector, BR could be left as a residuary body owning just the tracks.

The scale of investment needed, however, to bring some services to profitability means this stage is unlikely to be reached till well into the next decade.

A high priority for government ministers involved in deciding the new approach has been the need to allay fears among voters that a "big bang" privatisation could mean higher fares and cuts in services.

The Tory manifesto will emphasise that the plan will mean extra services, not fewer ones, because new operators will operate trains alongside BR's. Loss-making but socially necessary services will continue to be subsidised.

Although the plans appear to differ markedly from those advocated by Mr Malcolm Rifkind, the transport secretary, last year, Mr Rifkind has thrown his weight behind them, letting it be known that he is "delighted" at the outcome.

● The Department of Transport has become "bewitched by roads" to the virtual exclusion of all other modes of transport, according to an environmental pressure group.

Major changes are needed in the department's structure and operation, said the report, from the Council for the Protection of Rural England (CPRE). It said rail services did not receive enough attention from transport officials.

Background, Page 12

Downturn will 'offset' effects of 1p tax cut

By Peter Norman, Economics Correspondent

RISING unemployment and falling house prices are likely to offset any positive effects on consumer confidence of a one pence cut in the basic rate of income tax in tomorrow's Budget, according to a leading private sector economic research company.

PA Cambridge Economic Consultants (Pacec) says in its latest quarterly survey of consumer trends that conditions have not materialised for sustained consumption growth in Britain.

Fears of rising unemployment are likely to make consumers postpone spending decisions in spite of the widely expected cut in the 25 per cent basic rate of income tax. According to the survey of 1,000 consumers, 37 per cent do not believe the worst of the recession will be over until unemployment peaks, while 57 per cent believe it will take at least another six months for the recession to bottom out.

The company's overall consumer confidence index, which covers employment prospects, the financial situation of households and confidence in the government, rose slightly to 87.3 in March from 85.1 in December. But it was below the 93.8 and 92.2 levels of last September and March respectively.

At the same time, Pacec's index of consumption activity, which measures current consumption of a wide range of goods, fell from 100.9 in December to 93.8 this month, its lowest level since the index was first compiled in March last year.

Nomura International chief condemns Budget secrecy

By Peter Marsh, Economics Staff

BRITAIN'S annual Budget should be scrapped and replaced with a more considered system of formulating fiscal policy, according to Sir Douglas Wass, the chairman of Nomura International, the European arm of the Japanese securities house.

Sir Douglas, a former permanent secretary at the Treasury, said the department's secrecy in preparing the Budget was unnecessary, and reduced the possibilities of a public debate about tax policy and the workings of the economy.

Although officially unpartisan, Sir Douglas' proposals come close to official thinking by the Labour opposition, which wants to improve on the Budget process by publishing an annual UK economic assessment which would link government spending and income.

Sir Douglas said the Treasury should open up the process of making economic forecasts, possibly by handing this job to an independent body. The forecasts are published twice a year, in the Budget and in the Treasury's Autumn Statement on public spending.

Critics of the current procedure say the closed way in which the Treasury considers the options for government revenue-raising impedes public debate, and can lead to costly and embarrassing mistakes – such as the poll tax.

Sir Douglas said the Budget speech, which the chancellor normally gives in March, should be replaced by two discussion documents to be published in October and January.

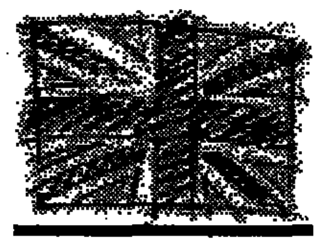
The first of these would be a draft Finance Bill which would deal with relatively non-controversial aspects of tax-collection such as changes in tax law in specific sectors.

The second discussion document would be a broader planning exercise which would match up government spending commitments with likely revenues.

The former permanent secretary attacked the Treasury's general desire for secrecy, both about forecasting judgments and possible changes in economic policy.

He dismissed claims that releasing details of internal debate would unsettle financial markets as "greatly exaggerated".

BRITAIN IN BRIEF



Industry fears higher prices for electricity

Mr John Wakeham, the energy secretary, is allowing Nuclear Electric, the state-owned nuclear generator, to force up electricity prices, according to leading industrialists.

Their attack on the new electricity market will deepen the row about electricity prices will further embarrassment Mr Wakeham before to the general election.

The industrialists, including Blue Circle, GKN and other large electricity users, say they face increases in their electricity bills of between 15 per cent and 30 per cent because Nuclear Electric, which operates the nuclear stations of England and Wales, sets the electricity price in spite of having only about 20 per cent market share.

Relaxed share schemes urged

The chancellor of the exchequer should use the Budget to lift restrictions on EC companies that want to offer tax-assisted share schemes to employees in their UK subsidiaries, according to the Bow Group, the Conservative think-tank.

The move should be the first step in a government-led campaign for recognition by all EC governments of employee profit and share schemes approved in any member country, says the group in a paper by Mr Ian Taylor, the Conservative MP.

"Opting out of the social protocol at Maastricht was necessary – but the government now must counter-attack. It must argue for a more company-based policy towards employee relations and benefits and one which opens up opportunities for employees to become shareholders in the company for which they work," says the paper.

Gas and oil output to rise

Production of UK oil and gas is expected to rise steadily over the coming years before peaking later in the decade, according to the latest forecast from the Petroleum Services Group at Arthur Andersen.

The accountancy firm predicts that oil output will rise to 2.1m barrels a day this year from 1.9m last year, reaching a peak of 2.7m in 1995. This will be slightly higher than the previous 2.5m peak in 1986.

Gas output, which reached 5.2bn cubic feet a day last year, will rise steadily to a peak of 8.9bn cu ft in 1998.

DTI to appeal over mergers

The Department of Trade and Industry and the Monopolies and Mergers Commission have been given leave by the Law Lords, Britain's most senior judges, to appeal in the South Yorkshire Transport (SYT) bus mergers case. Government attempts to slow takeover activity in the bus industry suffered a serious setback in November when the Appeal Court upheld a High Court ruling overturning an MMC decision that SYT should sell four rival bus companies acquired in 1989. The appeal is not expected to be heard by the Law Lords before the summer.

Ulster leaders discuss talks

Ulster's political leaders are expected to concentrate on setting an agenda for post-general election talks when they meet in Belfast.

Unionist leaders Mr James Molyneaux and the Rev Ian Paisley, Alliance leader Dr John Alderdice and Mr John Hume, of the nationalist Social Democratic Labour Party, will examine ways of re-starting inter-party talks which collapsed last July.

The first stage is concentrating on finding an acceptable formula for governing Northern Ireland. It is understood the four leaders are determined not to conduct negotiations through the media and will keep their discussions private.

TUC attacks short-termism

Manufacturers will have to abandon the short-term culture which has characterised their post-war development if Britain is to build a new generation of world-class companies, according to a study completed by the Trades Union Congress.

The study, which will form the centrepiece of a one-day conference in London today, says British industry's preoccupation with short-term returns is one of the fundamental reasons why it has failed to compete with faster-growing OECD countries.

According to a TUC "check-list for action", the challenge for industry is "not simply to develop companies which provide high dividends for their shareholders in the short-term. It is also to create an environment in which firms are encouraged to pursue long-term approaches to investment and innovation, and therefore to contribute to the high pay, high productivity economy that trade unions seek".

Teachers 'face' job losses

Teachers face thousands of job losses next year with council education cuts set to reach £200m, according to the National Association of Schoolmasters and Union of Women Teachers.

County councils, many of them Conservative-controlled, would be worst-hit, according to a survey of the initial spending plans of English and Welsh local authorities by the union.

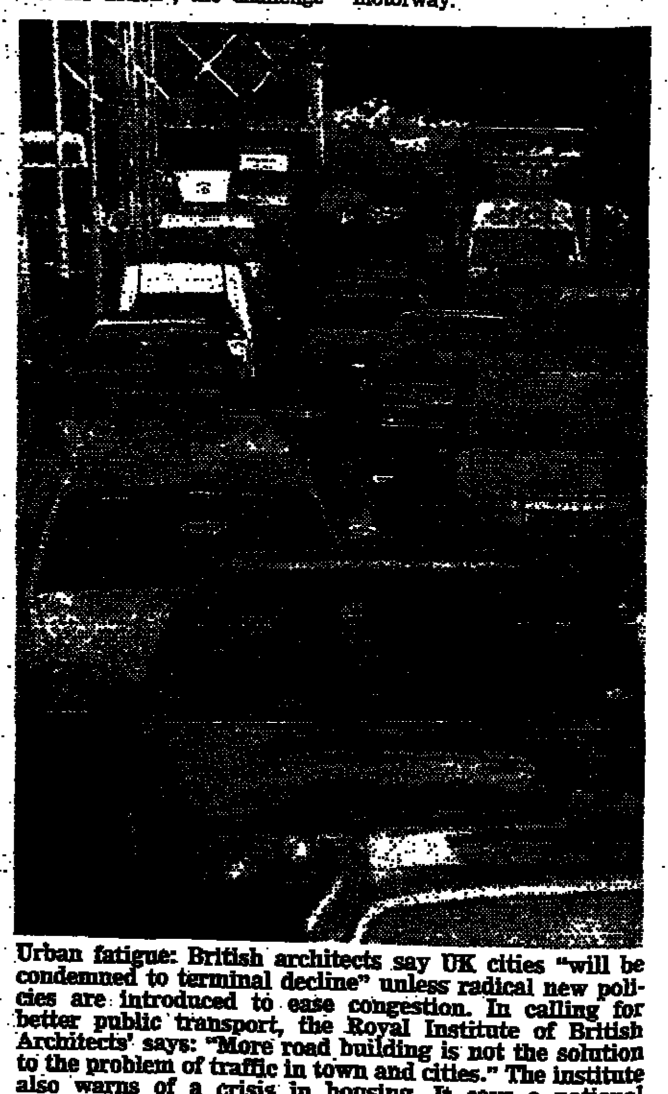
General secretary Nigel de Gruchy said the cuts would mean the loss of more than 2,000 teaching jobs, with 500 compulsory redundancies.

New Forth bridge urged

A second road bridge across the Firth of Forth will eventually be necessary, according to consultants advising the Scottish Office. It could be built by 2005 and cost about £275m.

The bridge, which would be just west of the existing bridge at South Queensferry north of Edinburgh, is one of the options for improving transport in the Firth of Forth area proposed by Lord James Douglas-Hamilton, the Scottish environment minister.

He also suggested a £40m road to connect the existing bridge with the Edinburgh bypass, taking traffic away from the western edge of the city, and a £8m road connecting the bridge with the M9 motorway.



Urban fatigue: British architects say UK cities "will be condemned to terminal decline" unless radical new policies are introduced to ease congestion. In calling for better public transport, the Royal Institute of British Architects' says: "More road building is not the solution to the problem of traffic in town and cities." The institute also warns of a crisis in housing. It says a national housing policy is needed to monitor housing shortages and to identify areas where new housing is required.

MANAGEMENT

Japan is the catalyst for conversion

John Griffiths reports on a transformation in working practices at the Unipart motor components group

A more unlikely location for a Japanese-inspired revolution in working practices is hard to imagine: a cluster of run-down industrial buildings in the back streets of Coventry, surrounded by terraced housing little changed since the 1950s.

Three years ago, the plant was churning out replacement engines for its owner, Unipart, Rover Group's former parts and accessories division, in dingy surroundings and a sour industrial atmosphere.

Today, using the newest, specialised manufacturing equipment from Japan and the lastest in worker and management practices, it is out to become a "world class" maker of components.

The plant, whose brightly lit and clinically clean interior contrasts starkly with the dowdy exterior, is still a Unipart subsidiary.

But it is now the home of Premier Exhaust Systems, which will be opened formally today by Peter Lilley, the industry secretary.

It is seen by John Neill, the chief executive of the Unipart Group of Companies (UGC), as a model for the other companies in the group.

It is producing exhaust systems and preparing for large-scale production of catalytic converters for both the resurgent Rover and Rover's Japanese partner, Honda, whose own 100,000 cars-a-year UK plant comes on stream at Swindon in October.

In recent months, Neill's conviction that Japanese attitudes and work practices needed to be instilled throughout UGC has begun to be put into striking effect.

In a move unthinkable a couple of years ago, Unipart is ending recognition of unions for all 4,000 workers, who are acquiring staff status.

"Clocking in" is out. Japanese-style team working is being introduced and old, hierarchical structures dismantled. Responsibility for quality is falling on individuals. Salaries are being linked to performance.

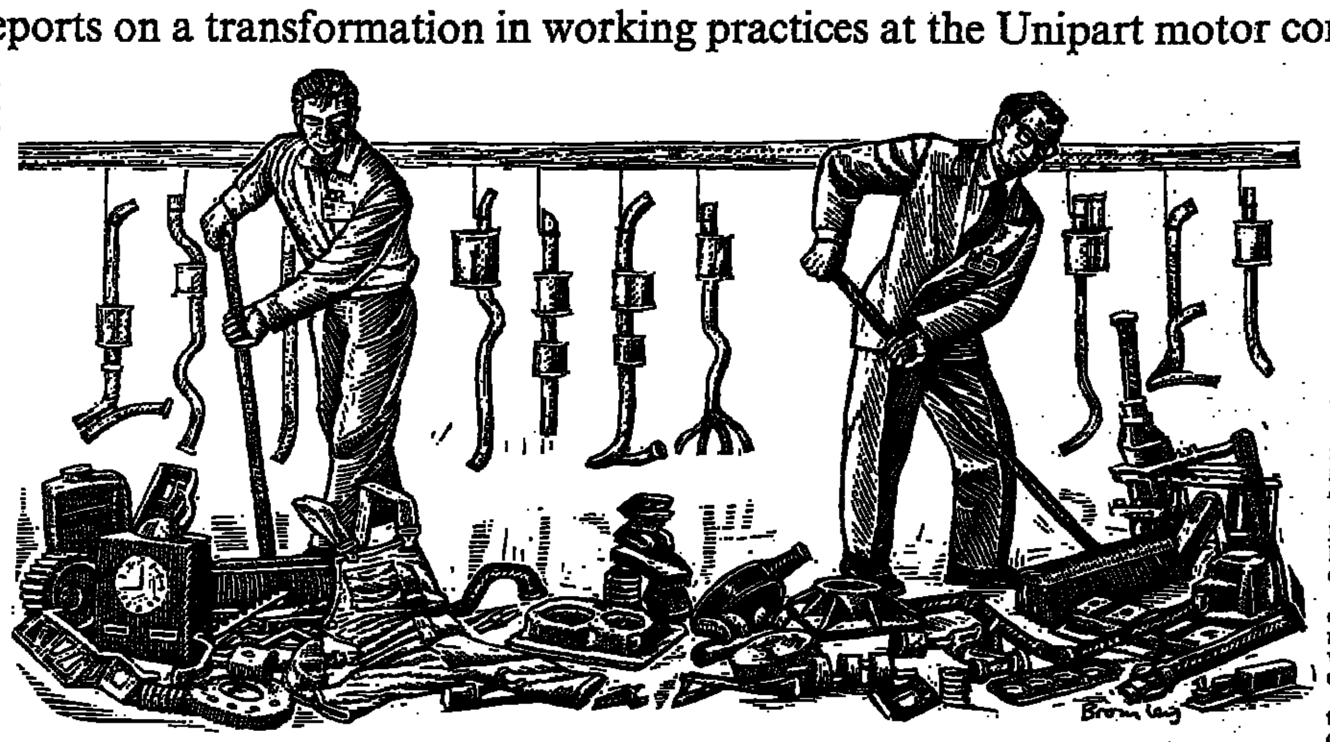
Nowhere are the changes being felt more keenly than at Oxford Automotive Components (OAC), whose Oxford and Kidlington-based parts making activities have formed the largest part of Unipart Industries.

Honda was an obvious potential customer for Unipart components. Originally, Honda said Unipart's proposed prices for fuel tank supplies were too expensive but nevertheless awarded it the business, along with an introduction to Yachiyo Kogyo, its tank supplier in Japan.

Subsequently, Yachiyo supplied Unipart with the equipment to make the tanks, sent a team of engineers to Oxford to help install it and – pre-dating the Premier operation by nearly two years – trained OAC's operators for six weeks on its own lines in Japan.

Mark Trevelyn, one of the trainees – who has gone from shop floor operator to group team leader – says it "came as a surprise to hear the Japanese talk of 'our company', not the management's".

The whole team, he says, came away with strong impressions – among them an unfamiliar and overwhelming stress on quality, and the rebukes that flowed from producing rejects and ignoring paperwork.



Some European components suppliers harbour deep suspicions about the long-term intentions of the Japanese car makers in Europe, and their true willingness to expand parts sourcing from indigenous suppliers.

Neill will have none of it. As an example of the Japanese desire for long-term "partnership" commitments, he says that Honda plans progressively to rely on Unipart for its exhaust emissions research and development programmes in Europe.

He says he is not worried that there is no agreement down on paper, nor that there are no formal guarantees. "It's all based on mutual trust."

But the links with Honda were not forged without some disillusioning days. Unipart executives came away from one visit with 20 pages of problems with their products.

Some of the rejections might have mystified European vehicle makers.

"For instance," recalls Neill, "they wouldn't tolerate weld splatter on a silencer, even though it has no bearing whatsoever on the part's performance. A western company simply wouldn't care and would probably claim, when the parts were rejected, that it was all part of a hidden agenda for the Japanese trying not to do business with the west."

The Premier plant, in which Unipart has invested several million pounds, is already turning over £15m a year.

It does not go in for pre-shift calisthenics. But the Japanese influence is immediately obvious in the state-of-the art production equipment and the *de rigueur* company "uniform" worn by all 175 employees.

All employees have staff status. There is no privileged parking, differentiated canteens or washrooms.

Remuneration is knowledge-based, linked to a star rating system as operators acquire the ability to operate more machines and sustain quality standards.

The maximum is five stars and, says Neill, "the idea is that every employee should be a five-star operator".

There are no supervisors, only leaders of small, flexible teams. Anyone can stop the production line if they think quality is under threat. In terms of management, says Frank Burns, managing director of the Coventry venture, who joined Unipart four years ago, "there is simplicity in everything: one layer of 10 managers, then the shop floor".

The search for continuous improvement encouraged in all employees has resulted, says Burns, in exhaust output now requiring less than half the space of a conventional assembly line.

In recruiting Premier's work-force, its management placed flexibility above work experience.

As a result, says Burns, "we have ended up with people who had little or no factory experience".

The price of this approach – extended training – is one Premier has willingly paid for what it says is an exceptionally enthusiastic work-force.

The plant operates contribution circles – different from quality circles in that they were designed to reflect the heritage and culture of UGC. They can be initiated by management or employees but the latter is heavily favoured.

Contribution circles have now been running for about nine months at Unipart. With more than 80 operating, savings of £1.8m have already been achieved, according to Neill.

Burns himself recalls earmarking £300,000 for new process machinery, a decision that was abandoned after shop floor workers adapted existing machinery. Peer pressure is claimed to be keeping absenteeism down to under 2 per cent.

Several years into their relationship, Honda has now nominated Unipart as its "model supplier" in Europe, and is using it as the example of progress in its training brochures outside Japan.

"What we liked about Honda," recalls Neill, "is that they made clear that initially they wanted not so much technical ability, but the right attitude and commitment. When we got the business, we knew they had a lower quote from elsewhere."

Now, says Neill, "I go once a year to see Honda in Japan to maintain our good relationship and say 'We promised to do things, we've done them – now what can we do for the future?'"

The deepening relationship, says Neill, means that "we don't have to look at a one-year horizon. We can make capital and people investments, and we've now got young engineers we are training so that we can provide them (Honda and Rover) with high-quality research and development and production expertise.

"If all their Japanese suppliers work in that climate, is it any wonder the Japanese are winning?" ponders Neill. "They eliminate all useless argument, instead putting all their efforts into improving. This is so much more efficient than the west, it's hard to see how western companies can catch up."

It is what he regards as a remorseless pursuit of perfection by the Japanese which makes the task for western producers so hard: "You have to be personally offended by producing a product which is not perfect. Japanese people get emotionally upset; so far, the Brits mostly don't," says Neill.

Spreading the word on not being quoted

Lucy Kellaway looks at a company that discovered freedom when it went private

Swraj Paul: simpler life

For the last four months, Swraj Paul has been free. He has also saved more than £100,000.

Since November 7 last year when he withdrew Caparo, his medium-sized engineering company, from the stock exchange, life has been simpler and more prosperous.

Paul estimates that the loss of his listing will save £500,000 in a full year – equal to some 3 per cent of the company's profits. Fees alone for the teams of PR men and stockbrokers to assist in what Paul calls "the shenanigans of quoted companies" cost at least £150,000 a year for the most basic service. Anything fancy and the fees shot up.

Further large savings have come from moving the accounts department from the centre of London to Birmingham. Now that Caparo no longer has to be in close touch with the City, there is no point in being in expensive premises in London, says Paul.

Another change has been in the sort of employees the company requires. Finance department staff who concentrate on dealing with the accounts come cheaper than those whose role includes talking to merchant bankers. Total saving from the move, including rent, is £350,000 a year, Paul estimates.

There are other, non-financial benefits. One is that the company will be quicker on its feet. "Before, you were always wondering what the City would think and your judgments were slowed down."

The message is clear for all medium-sized companies in old fashioned industries: a stock exchange listing may not be worthwhile. Paul reckons that there are many companies that would love to leave the City behind, but can't raise the money to buy out their shares.

It was only possible for him because a mere 20 per cent of Caparo's shares were in the market anyway.

The stock exchange typically put such a low rating on his shares – some six times earnings – that raising money through share issues was more expensive than borrowing from the bank. Paul makes the time-honoured complaint about the City being greedy for immediate results.

"Now we can think long term. Two, three or four years is well beyond the range of most institutions. Yet that is the timetable over which most investments will pay off."

When Caparo tried to undertake big investment projects, updating plant and machinery, Paul found that the City would not wear the heavy depreciation charges. "You can only grow by a steady 20 per cent in terms of profit if you engage in financial engineering," he says.

A stock exchange quote also has a bad effect on management, he says. "I like to see the share price high in the paper. It shifted my priorities away from the real stuff."

Paul, one of the most successful Indian businessmen in Britain, regrets the passing of the old days of trust and decency in the City. The stock exchange itself has greatly deteriorated, he thinks, with deregulation and Big Bang creating an atmosphere were "everyone is trying to do better than their neighbours".

APPOINTMENTS

Moving up a gear

Motor trade executive Richard Barber has received his reward for turning round Dovercourt Motor Company, part of Lonrho's many-sided motor activities which include the import and distribution of Volkswagens and Audis in the UK.

Barber, who turned Dovercourt from a heavy loss-maker into an earner of £250,000 profits last year – after just 24 months of his ministrations as managing director – has been made chief executive of Dutton Forshaw, Dovercourt's immediate parent.

A 16-year veteran of motor retailing, Barber is aiming to bring to other dealer outlets in the multi-franchise Dutton Forshaw group some of the much increased emphasis on customer satisfaction which turned Dovercourt's Volkswagen/Audi outlet in St John's Wood, London, into the group's flagship dealer and sharply boosted sales at the three other London dealerships.

With the Volkswagen group planning to take over from Lonrho the import/distribution of Volkswagens and Audis after the current import agreement expires at the end of next year, Barber's responsibilities are also likely to include looking at wider business opportunities for Dutton.

Barber's place at Dovercourt is being taken by Chris Hayden (left), who until now has managed Dovercourt's Battersea dealership.

■ Meanwhile, far to the north, Alexanders Holdings, the biggest Ford main dealer in Scotland, has appointed former Ford UK managing director Roger Humm as executive vice-chairman. Alexanders, still investing heavily in expanding and upgrading a number of outlets despite profits more than halving last year, says Humm is only the first of a number of new directors it expects to appoint this year.

The urbane Humm, 54, astonished the UK motor industry world when he resigned the Ford managing directorship abruptly in October 1990. Although his resignation did not formally take effect until the end of that year, Ford announced that he had taken leave of absence with immediate effect.

Non-executive directors

■ Sir Ivor Cohen, a former md of Mullard and currently chairman of Remploy, and John Herrin, a former president of the European Electronic Components Manufacturers Association, at MAGNETIC MATERIALS GROUP.
■ Michael Adams, chairman of Adams Childrenswear, at ALLDERS.
■ Gareth Davies, chairman of Glynwed, at WHEWAY.
■ Hugh Jarvis at WORLD-WIDE REASSURANCE.
■ Bill Musgrove, former vice-chairman of Robert Horne, at MODEM.
■ Anders Carlberg at SMURFIT INTERNATIONAL.
■ Mike Tuttle, formerly president of Mars Europe, at LIONHEART.
■ Timothy Birley, a civil servant in the Scottish Office, will resign from RENDEL PALMER & TRITTON in May because of potential conflict of interests.

Record of sales growth

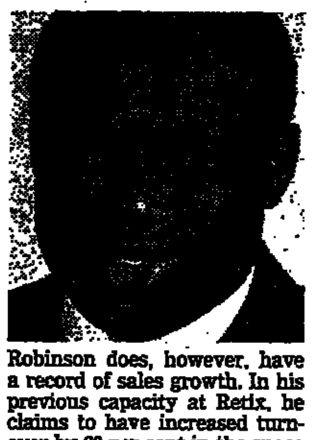
Retix, a Californian company specialising in networking systems that enable otherwise incompatible computers and software to talk to each other, has chosen Gareth Buchanan-Robinson to be managing director of its non-US activities, Retix UK, which covers Scandinavia, Benelux, the Middle East, and Africa as well as the UK.

For the past two years he had been in charge of Retix General International, a subsidiary now merged into Retix UK.

Buchanan-Robinson, a 35-year-old Englishman, who also speaks Italian, is poised for an aggressive marketing push within Europe of the so-called Open Systems Interconnection products of which Retix claims to be a leading supplier.

"We expect Retix to become a $200m corporation by 1995," he says. Sales last year amounted to $60.5m.

An economics graduate from Aston University, Buchanan-



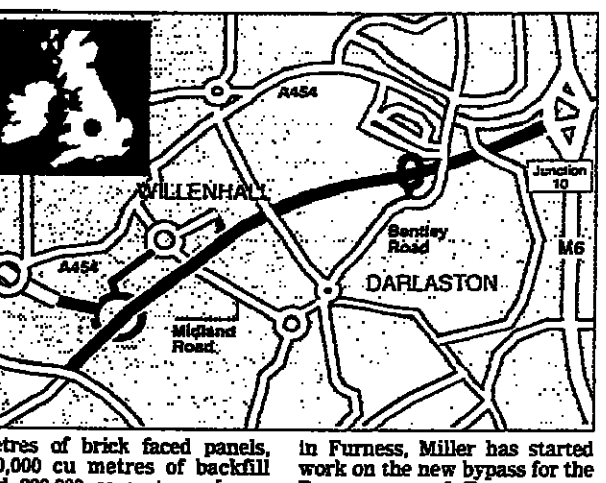
Robinson does, however, have a record of sales growth. In his previous capacity at Retix, he claims to have increased turnover by 60 per cent in the space of 12 months; he was previously international sales manager at an Eastman Kodak subsidiary, International Systems Corporation, where he also presided over a rapid expansion. Previous employers included Norsk Data Computer Systems, where he helped set up subsidiaries in Germany and the UK.

CONSTRUCTION CONTRACTS

£31.5m Black Country route

MILLER CIVIL ENGINEERING, a member of the Miller Group, has won contracts with a total value of nearly £46.5m.

The largest is for the first phase of the Black Country route *(pictured right)*, a 2.7 kilometres dual carriageway joining Darlaston Lane in Walsall to Junction 10 of the M6. The contract, let by Walsall Metropolitan Council, was won in competition at £31.5m.



Considerable ground treatment is involved, including the infilling of old mine workings and the removal of some contaminated land. Within this stretch of the route there are two main interchanges, two overbridges, five underbridges and a diversion culvert for the Darlaston Brook.

Within the structures Miller will use 14,000 cu metres of concrete, 3,000 tonnes of reinforcing steel and 750 tonnes of structural steel. Also included in the work are 14 reinforced earth retaining walls and 10 crib walls involving 6,200 sq metres of brick faced panels, 150,000 cu metres of backfill and 220,000 sq metres of geotextile reinforcing.

The road will require 480,000 cu metres of imported material and 85,000 sq metres of black top. The contract is due to take 130 weeks and starts at the end of April.

In the north west at Dalton in Furness, Miller has started work on the new bypass for the Department of Transport, a contract valued at £8m and lasting 94 weeks.

This bypass project comprises 3.5 kilometres of 10 metre wide single carriageway, with three overbridges, three roundabouts and a box culvert, and geotechnical work.

£40m workload for Amey Group

AMEY GROUP has received contracts over the last six weeks worth £40m.

Amey-Hynd, its new Merseyside building operation, has been awarded some £14m of work; £7m from Hynd Construction, which went into receivership in January, and a further £7m of new orders.

These orders include £10m for the construction of sheltered accommodation for local housing associations and a contract for the first phase of the refurbishment of the Liverpool town hall, valued at £700,000.

Amey Building has received some £2m in south Wales for local health authorities, the Post Office and Barry Town Council and a further £1.3m in England for the MoD at Thatcham and Barnardo's.

Amey Construction has received over £14m, including Alvechurch bypass (£5m) in Hertfordshire, bulk fuel installation for the PSA at RAF Waddington (£3m) and a further £10m of orders for projects in Berkshire, Wiltshire, Gloucestershire, Yorkshire and Leicestershire.

Contracts worth £1.5m for Thames Water, Welsh Water and Northumbrian Water have been awarded to the Amey-Farr water division and Amey-Sportec has won a £300,000 award for a synthetic pitch in Birmingham.

Amey Mec-Tric has booked £5m, including £1.2m at Gloucester Hospital, £1.2m at Ashdown House, Hastings and £1.3m for the PSA.

Sheffield Canal Basin redevelopment

WIDNELL, the London-based chartered quantity surveyors, has been appointed by the urban renewal division of Norwest Holst Developments to provide quantity surveying and general cost consultancy services for the £70m redevelopment of the Sheffield Canal Basin in south Yorkshire.

The firm has also been appointed as quantity surveyor by Copthorne Hotels for the scheme's proposed £12.5m 156 bedroom four-star hotel.

Contracts were signed between Norwest Holst Urban Renewal and Sheffield Development Corporation on September 26 1991.

A city grant of up to £8.8m is available for the scheme, which should create 2,500 jobs on one of the most extensive urban renewal schemes in the country.

The Canal Basin project will see the transformation of the city centre site by the provision of over 600,000 sq ft of space in a mix of business, retail, leisure and residential accommodation.

Developing disused collieries

TAYLOR WOODROW has won a £35m contract from British Coal Opencast for extensive mining, civil engineering and restoration work at two disused collieries at Swadlincote, Derbyshire.

In Derbyshire, Taylor Woodrow is starting work on winning more than two million tonnes of coal by open-cast methods at two former mines at Cadley Hill and neighbouring High Cross on the A444 route south of Burton-on-Trent.

A major part of the contract involves constructing a one kilometre dual carriageway at High Cross after coal extraction has been completed. Due to be finished early in 1995, the roadway, which will serve as a bypass for the village of Castle Gresley, will comprise a bridge and elevated roundabout complex, spanning the main road and rail line.

Some two miles north, at the former Cadley Hill colliery, Taylor Woodrow Civil Engineering will be undertaking a six-year programme to extract coal and prepare the 128 hectare site for industrial and leisure development. This will involve diverting a main sewer around the perimeter of the site as well as grading and compacting the land. A coal-washing plant will be used to reclaim a 160,000 tonne pre-war coal tip.

Taylor Woodrow Civil Engineering is undertaking similar coal recovery operations in a derelict colliery site at Abercynon, mid-Glamorgan, and at its open-cast coal site at Garnant, Dyfed, before restoring the land for industrial and agricultural use.

Zimbabwean plant

W.S.P. PARSONS BROWN has been appointed by Lurgi (UK) of Woking, Surrey to carry out the design of the structural steelwork, civil and building works for a £60m sinter plant at Redcliff, Zimbabwe.

Building defence facility

WIMPEY ENGINEERING AND CONSTRUCTION (EUROPE) has secured a £35m contract from the Property Services Agency to construct the main joint maritime communications centre at RAF St Mawgan in Cornwall.

The project includes the construction of three linked buildings and all associated external works, drainage and landscaping. Completion is scheduled for September 1994.

Offices complex

COSTAIN BUILDING & CIVIL ENGINEERING has been awarded a contract worth £6.4m to construct an office block in Causeway Lane, Leicester by the commissioners of the Inland Revenue.

The contract comprises the construction of a six-storey office block with a two-storey block wrapped around the east end, forming a "T" shaped building, with a gross floor area of 7,800 sq metres. As well as offices the building will house a restaurant, a kitchen, common rooms and a nursery.

The building has a steel frame with precast floors, service cores and external walls with a facing brick external skin and a tiled roof.

The offices will house Inland Revenue employees serving six local districts and a tax enquiry centre. The PSA has provided all consultant and design services.

The contract is due for completion in September 1993.

THE WEEK AHEAD

ECONOMICS

The search for confidence boosting measures in Lamont's Budget

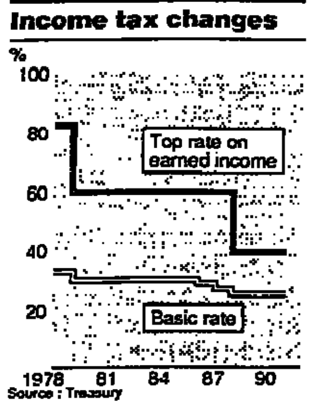
IN BRITAIN the week will be dominated by the Budget. Tomorrow, at around 3.30pm Mr Norman Lamont, the chancellor, will rise to deliver a speech that, in all probability, will launch the campaign for the general election, expected now on April 9.

Tax cuts totalling £2-4bn have been widely tipped with speculation focusing on a 1p cut in the basic rate of income tax. Despite the government's need to break ahead in the opinion polls, a tax cutting package of more than £4bn would upset the financial markets. But with scant evidence to suggest an upturn in the economy, analysts will be looking for confidence boosting measures in the Budget to spur ever cautious consumers.

Tomorrow is also Super Tuesday – a big day for US politics with several presidential primaries on the same day. A bad result for Mr Bush will indicate the depth of the electorate's dissatisfaction over the administration's handling of the economy.

However, retail sales figures for February are expected to increase marginally, with the growth probably coming from a pick up in auto sales as well as household fixtures and building products in line with January's surge in home sales. Furthermore, the week's producer price data for February should reflect a favourable outlook on inflation. In January the producer prices index fell by 0.6 per cent on the year, to its lowest rate since January 1987.

Income tax changes



Source: Treasury

There is also news on retail sales in Germany this week with January's figure expected to show a slight decline on the same month of 1991. According to research by Midland Montagu the squeeze on real disposable incomes from the mid-year 7.5 per cent tax surcharge, rising inflation and high interest rates have begun to dampen consumer demand after last year's very buoyant sales.

Highlights of the week ahead, with the median of city forecasts in brackets from MMS international, a financial information company, include:

Today: UK, January credit business (net repayment of £75m); Canada, January motor vehicle sales, January housing starts, December wages and salaries.

Tomorrow: UK, Budget presented to parliament, January producer prices index – input (up 0.3 per cent on the month, down 0.5 per cent on the year), output (up 0.3 per cent on the month, up 4.4 per cent on the year), excluding food, drink and tobacco: US, Super Tuesday, presidential primaries in Delaware, Florida, Georgia, Louisiana, Massachusetts, Mississippi, Oklahoma, Rhode Island, Tennessee and Texas, January wholesale trade, revised figures for fourth quarter productivity: Japan, January machinery orders. Canada, fourth quarter manufacturing capacity utilisation.

Wednesday: US, January housing completions: Japan, February trade balance ($8.7bn surplus).

Thursday: UK, February CBI distributive trades survey: US, February retail sales (up 0.7 per cent on month), excluding automobiles (up 0.4 per cent on month), February M1 ($20bn), M2 (26bn), and M3 (24.1bn), for week ended March 2 M1 (flat), M2 ($0.3bn, and M3 ($8bn), initial claims for week ended February 29 (445,000):Germany, first round of engineering wage talks with Hessen IG Metall: Australia, February employment (down 30,000) and unemployment rate for the same month (10.6 per cent).

Friday: US, February producer prices index (up 0.3 per cent on month), excluding food and energy (up 0.2 per cent on month). January business inventories (down 0.2 per cent on month), automobile sales March 1-10 (6.1m): Germany, first round of engineering wage talks with Bavarian IG Metall: France, fourth quarter unemployment: Japan, February wholesale prices index (up 0.1 per cent on month, down 1.6 per cent on year): Australia, January retail trade seasonally adjusted (up 2 per cent on the month).

During the week: Germany, January retail sales (down 0.5 per cent on the year), January trade balance (DM3.5bn surplus), January current account (DM1.4bn deficit), fourth quarter GNP (down 0.5 per cent on the previous quarter), February wholesale prices index (up 0.2 per cent on the month): Spain, February consumer prices index (up 0.4 per cent on the month, up 6.5 per cent on the year): Sweden, February unemployment rate (3.9 per cent), February consumer prices index (up 0.3 per cent on the month, up 2.6 per cent on the year).

Emma Tucker

PARLIAMENTARY DIARY

TODAY

Commons: Friendly Societies Bill, second reading. Debate on report concerning the new parliamentary building. Motion on social security regulations. Opposed private business after 7pm.

Lords: Competition and Service (Utilities) Bill, committee. Prison Security Bill, report.

TOMORROW

Commons: The Budget statement and debate. Lords: Education (Schools) Bill, report. Parliamentary Corporate Bodies Bill, committee.

WEDNESDAY

Commons: Continuation of the Budget debate.

Lords: Debate on constitutional reform. Debate on Britain's rivers coastline and beaches. Osteopaths Bill, committee.

Select committees: Welsh Affairs - subject, water pollution from abandoned coal mines. Witnesses: British Steel Corporation, National Rivers Authority, Welsh Office (Room 15, 10am).
Home Affairs - subject, work of the Lord Chancellor's Department. Witness: the Lord Chancellor (Room 15, 4pm).
Health - subject, NHS Trusts. Witnesses: Croydon Community NHS Trust and purchasers (Room 8, 4.15pm).

THURSDAY

Commons: Continuation of the Budget debate.

Lords: Social Security (Mortgage Interest Repayment) Bill, report and third reading. Medicinal Products: Prescription by Nurses Bill, third reading. Still-birth (Definition) Bill, third reading. Traffic Calming Bill, third reading. Firearms (Amendment) Bill (third reading). Cheques Bill, third reading. Further and Higher Education (Scotland) Bill, report.

FRIDAY

Commons: Private members' motions.

Lords: Asylum Bill, committee. Transport and Works Bill, second reading.

RESULTS DUE

BTR is expected to report lower annual pre-tax profits on Wednesday, but most interest will focus on how the industrial conglomerate is digesting its latest acquisition, Hawker Siddeley, the engineering group which it bought for £1.55bn in November after a bitterly-contested takeover battle.

BTR is unlikely to give anything away about possible disposals, but analysts will want to hear what the enlarged group has to say about its trading outlook. The impact of recession is expected to have cut last year's pre-tax profits from £966m to below £900m.

As the world's largest mining group, the RTZ Corporation could not be expected to escape the problems associated with recession in the US and the UK and present low metals prices. Analysts expect the group to report on Thursday a fall of about 35 per cent in net attributable profits for 1991. This would take them down from last year's £507m to between £295m and £340m.

Most commentators suggest RTZ will maintain its dividend payment at 19.5p because an increase to, say, 20p, would send out the wrong signals aboutprospects for the currentyear.

Standard Chartered Bank will announces on Wednesday pre-tax profits of £200m-£220m, a marked improvement on 1990's £150m after heavy provisions. It has had relatively few lending problems in the UK other than to Brent Walker, while its Asia Pacific region had a good year and is thought to have made a strong contribution. Last year's 20p dividend at is expected to be maintained.

Hillsdown Holdings, the food manufacturer, should turn in 1991 pre-tax profits of around £182m on Wednesday, down a fraction from £191.2m a yearearlier. A final dividend of around 6.4p, up 7 per cent, is expected.

Poultry will again peck away at group profits, contributing only £28m (£59.4m) with a small loss in the UK offset by profits abroad. On the positive side, its Canadian subsidiary Maple Leaf has performed well. Encouraging developments include the recent purchase of Unigate's poultry business which should help bring rationalisation to the industry and an upturn in Hillsdown's profits this year to around £235m.

United Biscuits is expected to report on Thursday a small increase in 1991 pre-tax profits to £205m from £197.7m. Given the group's confidence in its long term prospects, the final dividend could be raised 3 per cent to 9.4p.

McVities biscuits and Terry's chocolates have held their own but KP snack foods have been disappointing. Bright spots last year were the growing European operations and the Keeblerbiscuit business in the US.

Saatchi and Saatchi, feeling the pinch of the recession in advertising, is likely to report tomorrow on Tuesday a loss of around £50m for the 15 months ended December. This will included provisions for unused office space and restructuring costs.

BM Group, the industrial holding company that recently acquired Thomas Robinson, is expected to have increased pretax profit by about 27 per cent to more than £17m in the six months to December 31. It reports tomorrow, Budget day.

While Robinson will not figure in the results, Blackwood Hodge, the construction equipment distributor acquired in late 1990, will be in for the full six months. The scything of Blackwood's overheads and the boost its overseas network will have given to the sale of BM's products help explain the group's resistance to recession.

UK COMPANIES

■ **TODAY**
BOARD MEETINGS:
Finals:
BBA
Calderburn
Candover Invs.
Cons. Venture Trust
Fairey
Fife Indmar
Greggs
Merchants Trust
Perkins Foods
Persimmon
Ransomes
Takare
Transport Developm't.
USDC Inv. Trust
Interims:
Close Brothers
Cornwell Parker
Mucklow (A & J)
Pict Petroleum
Polypipe
Thorntons

■ **TOMORROW**
COMPANY MEETINGS:
Blick, Howard Hotel, Temple Place, Strand, W.C., 12.00
Eurocamp, Four Seasons Hotel, Manchester Airport, Hale Road, Halebarns, Cheshire, 3.00
First Leisure, Prince of Wales Theatre, Coventry Street, W., 12.00
Kelsey Inds., Kelsey House, Wood Lane End, Hemel Hempstead, 11.00
Kershaw (A), 6, Connaught Place, W., 12.00
Murray Enterprise, 7, West Nile Street, Glasgow, 10.30
Witan Inv., New Horticultural Hall, Greycoat Street, S.W., 7.00

BOARD MEETINGS:
Finals:
American Trust
Bullers
Clondalkin
De Beers Cons. Mines
Glynwed Intl.
HSBC
Hornby
Inch Kenneth Kajang
Kinta Kellas Inv.
Pacer Systems
Plaxton
Saatchi & Saatchi
Strong & Fisher
Thailand Intl. Fund
Unigroup
Wales City of London
Interims:
BM
Castle Comms.
Logica

■ **WEDNESDAY MARCH 11**
London Scottish Bank, St. James's Club, St. James's House, Charlotte Street, Manchester, 12.00
Rank Org., Gloucester Hotel, Harrington Gardens, S.W., 11.30

BOARD MEETINGS:
Finals:
Aegis
Ansbacher (H)
BTR
BWD Securities
Grosvenor Dev. Capital
Hillsdown
Kleinwort Smaller Co's.
Nichols (J.N.)(Vimto)
Second Market Inv.
Simon Engineering
Standard Chartered
T & N
Whitegate Leisure
Interims:
Everest Foods
Gent (S.R.)

■ **THURSDAY MARCH 12**
Aukett Associates, 13, Chelsea Embankment, S.W., 12.00
Lookers, Lancashire County Cricket Club, Talbot Road, Stretford, Manchester, 12.00
Prospect Inds., Forte Crest Hotel, The Marina, Castle Street, Kingston-on-Hull, 10.30

BOARD MEETINGS:
Finals:
Abbeycrest
Abbott Mead Vickers
Baynes (Charles)
Beradin Hldgs.
Blagden Inds.
Clarke (T)
EFT
Edmond Hldgs.
Emess
Enterprise Oil
Evered Bardon
Jones (A)
Kode Intl.
Legal & General
Padang Senang Hldgs.
TI Group
Thornton Pan-European
United Biscuits
Interims:
Ex-Lands
Sirdar

■ **FRIDAY MARCH 13**
Brunner Inv. Trust, 20, Fenchurch Street, E.C., 12.45
Central Motor Auctions, Central Motor Auctions, Pontefract Road, Rothwell, Leeds, 12.00
Yorkshire Television, Television Centre, Leeds, 12.00

BOARD MEETINGS:
Finals:
Global Grp.
Kerry
Lex Service
Interims:
Headway
Walker (Thomas)

Company meetings are annual general meetings unless otherwise stated.

DIVIDEND & INTEREST PAYMENTS

■ **TODAY**
Anheuser-Busch 28cts
City Site Estates 0.5p
Clarke Foods 1.5p
Kit: Corp. 6½pc Bds. 3¼pc
Morgan (J.P.) 10pc Nts. 1999 5pc
Time Warner 25cts
Tolux 35cts

■ **TOMORROW**
Allied-Signal 25cts
Chevron 82.5cts
Dun & Bradstreet 54cts
Exxon 67cts
GT Japan Inv. Tst. 0.4p
General Motors 40cts
Grace (W.R.) 35cts
Hampson Inds. 0.6p
Houston Inds. 74cts
Mobil 80cts
Park Food 5p
Sun Co 45cts
Tenneco 40cts
Texaco 80cts
Travelers Corp. 40cts
Treasury 5½pc 2008/12 2¾pc
Utd. Technologies 45cts
Warner-Lambert 51cts

■ **WEDNESDAY MARCH 11**
Bancal Tri-State Dual Basis Bds. 2000 $329.24
Bank of Ireland Und. Fltg. Rate Nts. $123.23
Blick 5.4p
Gold Fields of Sth Africa 70cts
Hewitt 1.5p
Hongkong & Shanghai Banking Und. Fltg. Rate Nts. Second Series $83.19
Skopbank Sers. B Und. Var. Rate Nts. $121.65
Temple Court Mortgages (No 2) Class A1 M-L Mtg Backed FRN 2031 £275.67
Do. Class AZ M-L Mtg Backed FRN 2031 £279.40
Witan Inv. 2.8p
Woolwich Bldg. Soc. Fltg. Rate Nts. 1994 £267.28

■ **THURSDAY MARCH 12**
Christiania Bank Fltg. Rate Sub. Nts. 2001 $287.53
Do. Fltg. Rate Sub. Nts. 1994 $297.01
Ewart 0.25p
First Interstate O'seas. Gtd. Fltg. Rate Sub. Nts. 1995 $132.71
Honda Motor 6⅞pc Bds. 1998 3$\frac{7}{16}$pc
London Scottish Bank 1.875p
Midland Int. Fin. Serv. Gtd. Fltg. Rate Nts. $293.85
Monsanto 5.2cts
Royal Bank of Canada Fltg. Rate Deb. Nts. 2085 $120.07
Royal Trustco Fltg. Rate Sub. Debs 2085 $298.28
Scottish Power 3.38p
Do. Reg. Int-Cert. 170p Pd. 3.38p
Do. Reg. Int-Cert. Fully Pd. 3.38p

■ **FRIDAY MARCH 13**
BankAmerica 32.5cts
Bankers Tst New York Fltg. Rate Sub. Nts. 2000 $128.39
Bradford & Bingley Bldg. Soc. Fltg. Rate Nts. 1995 £267.28
Brit. Gas Intl. Finance 10⅛pc Gtd. Bds. 1998 5$\frac{1}{16}$pc
Buffelsfontein Gold Mng 90cts
Burndene Invs. 6.5p
CSX 38cts
Carclo Eng. 1.71p
Dana 40cts
Drayton Recovery Tst. 2p
Elandsrand Gold Mining 20cts
Ellis & Everard 2.25p
French (T) 2.175p
Grootvlei Prop. Mines 25cts
Lydenburg Plat. 52cts
St. Helena Gold Mines 150cts
Seagram 50cts
Siemens DM13
Southvaal 160cts
Trinova 17cts
Vaal Reefs Expl & Mng 600cts
Wells Fargo Fltg. Rate Sub. Nts. 1994 $132.17
West Rand Cons. 20cts
Western Deep Levels 210cts

■ **SATURDAY MARCH 14**
3i 12½pc Ln 1992 6¼pc

■ **SUNDAY MARCH 15**
Dover 21cts
Funding 6pc Ln. 1993 3pc
Gartmore American Securities 11⅜pc Deb 2014 5$\frac{11}{16}$pc
Morrison (Wm) Supermarkets 5¼pc Pf 2.625p
Pennzoil 75cts
Province de Quebec 12¼pc Ln 2020 6⅛pc
Sweden (Kingdom of) 9¾pc Ln 2014 4⅞pc
TRW 45cts
Treasury 9pc Ln 1992/96 4½pc
Whirlpool 27.5cts

LEGAL NOTICES

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the Matter of the NEW YORK AGENCY
of the
BANK OF CREDIT AND COMMERCE INTERNATIONAL, S.A.

NOTICE OF CLAIMS PROCESS AND RELATED BAR DATE FOR FILING PROOFS OF CLAIM

NOTICE IS HEREBY GIVEN THAT the Superintendent of Banks of the State of New York (the "Superintendent"), pursuant to Section 620 of the Banking Law of the State of New York (the "New York Banking Law"), has made December 9, 1991 the first date on which claims against the New York Agency (the "Agency") of the Bank of Credit and Commerce International, S.A. ("BCCI S.A."), may be filed in accordance with the process for determining and paying claims against the Agency prescribed by Article XIII of the New York Banking Law (the "Claims Process"). THE LAST DATE AND TIME WHEN PERSONS MAY FILE CLAIMS AGAINST THE AGENCY IS MARCH 27, 1992, AT 5:00 P.M., EASTERN STANDARD TIME (THE "BAR DATE"). Only claims filed on or before the Bar Date will be considered by the Superintendent in accordance with the provisions of Article XIII of the New York Banking Law.

IF YOU ARE ENTITLED TO FILE A PROOF OF CLAIM BUT FAIL TO DO SO IN THE MANNER PRESCRIBED ON OR BEFORE THE BAR DATE STATED ABOVE, YOUR CLAIM WILL BE FOREVER BARRED, YOU WILL NOT BE ENTITLED TO ANY DISTRIBUTION ON THAT CLAIM AND YOU WILL RECEIVE NO FURTHER NOTICES REGARDING YOUR CLAIM. All claims against the Agency of whatever character, whether secured or unsecured, liquidated or unliquidated, fixed or contingent, must be presented in the Claims Process.

1. GENERAL

The Superintendent took possession of the business and property of the Agency on July 5, 1991 pursuant to Section 606 of the New York Banking Law and is currently taking steps to effect the complete liquidation of the Agency.

2. WHO MAY FILE

Any person having a claim against the Agency, or such person's duly appointed and authorized personal or legal representative, may file a Proof of Claim in respect of each claim arising out of a distinct transaction or series of transactions with the Agency, regardless of when such claim arose or the nature or type of such claim (subject to Section 3 below). Where more than one person is interested in or is making a claim, then all must complete and file a Proof of Claim together. All claimants must file a Proof of Claim in the Claims Process, even if a claim was previously made known in some other way to the Agency or to New York State Banking Department staff.

3. WHO MAY NOT FILE

A person may *not* file a Proof of Claim in respect of any of the following:

(a) a claim arising out of transactions with offices of BCCI S.A. other than the Agency or out of transactions with entities affiliated with BCCI S.A. in any other way;

(b) a claim not representing an enforceable legal obligation against the Agency if the Agency were a separate and independent legal entity; or

(c) a claim representing an amount due or other liability to another office or branch of, or wholly owned (except for a nominal number of directors' shares, if any) subsidiary of, BCCI S.A.

Persons having a claim that falls into categories (a), (b) or (c) above may need to pursue it in separate and different proceedings *not* administered by the Superintendent and should contact Brian Smouha, Commissaire, BCCI, S.A., 25 Boulevard Royal, 2449 Luxembourg, for further information.

4. PROOF OF CLAIM REQUIREMENTS; PRIORITY OF PAYMENT ASSERTIONS

A person entitled to file a claim against the Agency must complete and file a Proof of Claim in the form adopted by the Superintendent, together with all supporting documentation specified in the instructions thereto, in respect of each claim arising from a distinct transaction or series of transactions with the Agency. All persons having claims for priority of payment shall make demand in writing for priority in the place indicated in the Proof of Claim.

If this notice was received by mail, it is accompanied by a blank Proof of Claim and the instructions relating thereto. Persons receiving this notice by publication or any other means may obtain a Proof of Claim and the instructions relating thereto by writing to the New York State Banking Department, c/o BCCI S.A., 530 Fifth Avenue, Seventh Floor, New York, New York 10036, Attention: Request for Proof of Claim. Persons requiring additional Proofs of Claim must make such copies for themselves. All Proofs of Claim are required to be prepared in the English language.

5. DEADLINE FOR FILING; WHERE TO FILE

The Bar Date, the deadline for filing all Proofs of Claim, is 5:00 p.m., Eastern Standard Time, on March 27, 1992. Each Proof of Claim must be either mailed or delivered to the following address:

Salvatore Morabito
Special Deputy Superintendent
New York State Banking Department
c/o BCCI S.A.
530 Fifth Avenue
Seventh Floor
New York, New York 10036

If mailed, a Proof of Claim must be postmarked on or before March 21, 1992. If delivered, a Proof of Claim must be received by the Special Deputy Superintendent or his staff on or before the Bar Date. NO PROOF OF CLAIM IS FILED UNTIL IT IS RECEIVED BY THE SPECIAL DEPUTY SUPERINTENDENT OR HIS STAFF.

6. FURTHER INFORMATION

If you have questions about this notice, or if you desire a Proof of Claim, you may contact by telephone either Salvatore Morabito at (212) 789-8620 or Harry J. Morpurgo at (212) 789-8061 during the hours of 9:00 a.m. to 5:00 p.m., Monday through Friday, or write to Mr. Morabito at the address given above. ALL OTHER QUESTIONS, SUCH AS WHETHER YOU SHOULD FILE A PROOF OF CLAIM OR TAKE ANY OTHER ACTION WITH RESPECT TO YOUR CLAIM, SHOULD BE DIRECTED TO YOUR ATTORNEY.

Dated: New York, New York
December 9, 1991

CLEARY, GOTTLIEB, STEEN & HAMILTON
Attorneys for the Superintendent of Banks of the State of New York
One Liberty Plaza
New York, New York 10006
(212) 225-2000

IN THE MATTER OF DIRECT INPUT LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before 1st May 1992, to send their full forenames and surnames, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any), to the undersigned
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB
the Liquidator of the said Company, and, if so required by notice in writing from the said liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated 3rd March 1992
Peter S. Dunn FCA, Liquidator

IN THE MATTER OF DIRECT INPUT LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 3rd March 1992.
Dated this 3rd March 1992
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

COMPANY NOTICES

ENGELS-HOLLANDSE BELEGGINGS TRUST N.V.
(English and Dutch Investment Trust)
(Investment company with variable capital)
Established in Amsterdam

HEREBY GIVES NOTICE that it has received the following notifications under the Listed Companies Disclosure Act:

Name	Percentage capital interest	of which indirect	of which potential	Percentage voting rights	of which indirect	of which potential
Southside Property Developments Ltd, Frances House, Sir William Place, St Peter Port, Guernsey	16.1%	16.1%	–	16.1%	16.1%	–
Stichting Vifast, Lange Voorhout 94, 2514 EJ Den Haag	24.1%	24.1%	–	24.1%	24.1%	–

Amsterdam, 2nd March 1992

PUBLIC NOTICES

MONOPOLIES AND MERGERS COMMISSION

MMC INVITES EVIDENCE ON THE ACQUISITION BY HILLSDOWN HOLDINGS PLC OF THE FRUIT AND VEGETABLE CANNING AND AMBIENT STORED MEALS INTERESTS OF ASSOCIATED BRITISH FOODS PLC

The Monopolies and Mergers Commission is inquiring into the acquisition by Hillsdown Holdings plc of the fruit and vegetable canning and ambient stored meals interests of Associated British Foods plc, to determine whether the acquisition might operate against the public interest. In particular the Commission's attention has been drawn to the possible effects of this acquisition on competition in the market for canned vegetables in the United Kingdom.

The Commission would like to hear from any person with information or views on the acquisition. Evidence should be sent in writing by Wednesday 25 March 1992 to: The Reference Secretary (Hillsdown/Anglia), Monopolies and Mergers Commission, New Court, 48 Carey Street, London WC2A 2JT.

ARTS

ARCHITECTURE

British pavilion pulls it off

Colin Amery pays an early visit to Expo '92 in Seville

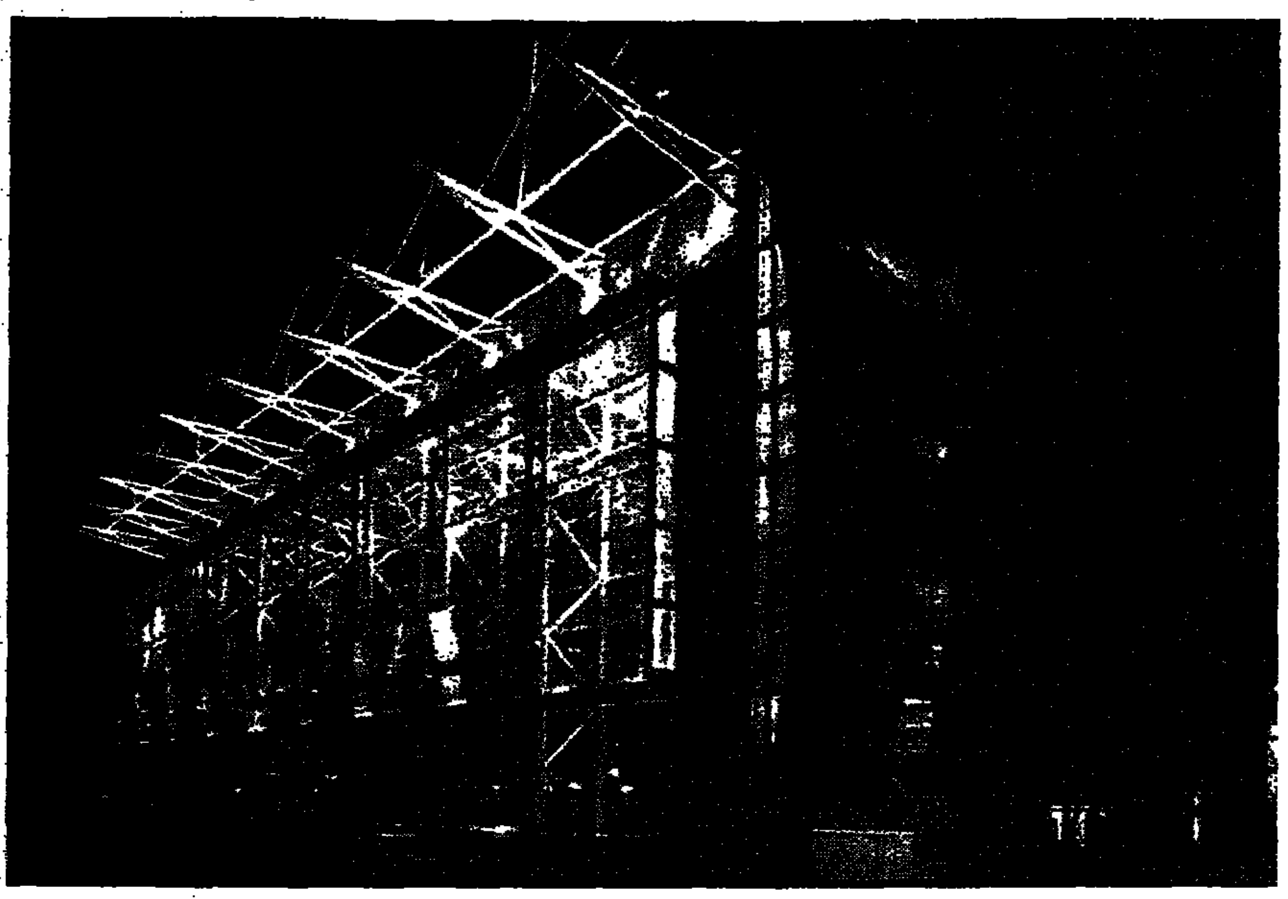
The problem is a difficult one. How does an architect design a pavilion that, in one bold gesture, symbolises the spirit of a nation and conveys a memorable message to the world? At Expo '92 in Seville, the architects Nicholas Grimshaw and Partners have pulled it off.

All the best buildings are built around one clear idea. The idea behind the British pavilion was to bring the sound and presence of moving water to the dry, hot island of of La Cartuja. This is right for Seville, where temperatures in high summer can sometimes reach as high as 49°C (120°F). It would have been easy to design another fountain or a leafy courtyard, but Grimshaw decided to make the whole front of the pavilion a wall of moving water. The architect has been able to achieve this wonderful effect with the brilliant collaboration of the sculptor William Pye.

The British pavilion is sited at the head of the avenue devoted to European Community members' pavilions. The design is clear and rational; the architects have taken care to avoid any elements of "Disney" and razzmatazz. Visitors approaching from the east will see a crystal box some 25m high, 70m long and 40m wide. The whole entrance façade is a cascade of falling water rushing over the glass wall into a wide moat. Two "curtains" of water mark the entry point, which is a narrow bridge passing over the blue waters of the moat (I did wonder whether this relatively small entry point will cope with the anticipated millions of visitors). Once the visitor has crossed the bridge, he will emerge into an enormous glass exhibition hall that is strongly reminiscent of views of the interior of Sir Joseph Paxton's Crystal Palace of the 1851 Great Exhibition – the source and origin of the idea of universal expositions.

The structure of the pavilion is an example of the most recent techniques of steel and glass assembly. Every element was designed and made in Britain, the parts shipped to Spain and erected on the site in the short period of 42 weeks. This "kit of parts" approach is very much Grimshaw's trade mark, and at Seville he seems to have simplified things so that the high-tech elements seem to be more under control than in some of his British buildings. The main steel structure is supported on deep piles driven some 18 metres into the sediment of Cartuja island. Some of the wall and roof trusses are 25 metres long and they had to be escorted by the Spanish police on their six-day lorry journey from the port of Santander in Northern Spain.

It is the east wall that everyone will remember. It is made of panes of glass suspended from stainless steel brackets and in front of the glass is the continuous waterfall designed by Nicholas Grimshaw and William Pye. Pye is best known for his two water sculptures, "Jetstream" and "Slipstream" that passengers pass on the way to their flights at Gatwick's north terminal. Water for the Seville cascade is pumped by solar-powered pumps from the pool at the base of the building to some 1,400 nozzles at the top. These nozzles are adjustable so that the effect can be varied from a slow, slithering creeping effect to a thundering cascade. Some three million litres of water is kept moving constantly. Water is brought right inside the pavilion over a gleaming stainless steel weir to provide a vast apparently still reflecting pool. The whole effect is undoubtedly a tour de force.



The idea behind Nicholas Grimshaw's British pavilion was to bring moving water to dry, hot Seville

Apart from the visual beauty of the moving water, I was impressed by the sound it makes. Outside, it has a cool and calming effect. Once you are inside the pavilion, the sound makes you feel as though it is permanently raining (perhaps this will reinforce foreigners' views about the British climate). I was told that despite the intense heat of a Sevillian summer there will always be enough water to ensure that the "biggest water wall in the world" (to quote the publicity material of the pavilion's sponsors, the Department of Trade and Industry) will flow until October. I suspect it will be a hard job to prevent exhausted visitors from taking a refreshing dip.

Inventive efforts have had to be made to ensure that the whole pavilion is cool. The most exposed west wall demonstrates a completely new technique. It is made of steel freight containers which are lined by an impermeable membrane and filled with water. This thick wall of stored water will absorb heat and should work to keep the interior cool in the same way as thick masonry walls ensure that medieval cathedrals are always cool in summer. Of course there has to be some mechanical air handling and cooling and one of the problems of the whole Expo has been to find ways of avoiding the raising the temperature of the site that would occur if all the pavilions expelled hot air into the atmosphere.

The flat roof of the British pavilion has had to be protected from the extremes of the summer sun by shading louvres that also ornament the roofline. On these louvres are 150 panels of solar cells that provide the power for the water pumps. These solar cells and pumps will be used to provide power in 150 villages in the Third World after the pavilion is dismantled.

The only element of rampant nationalism about the British pavilion is the giant Union Flag that can be seen through the water wall – and the water and flag do evoke a sense of a maritime nation. (The theme of the Expo '92 is "Discovery", as the whole event is a commemoration of the explorations and discoveries that began with Columbus in 1492.) The designers of the interior of the pavilion are RSCG Conran Design and their brief has been to arrange exhibits that will help the visitor to discover Britain.

Moving on giant travelators and escalators, and escorted by "Navigators", the visitor will see video sculptures, an electronic tapestry composed of 275 screens giving a variety of images of Britain. There is a large theatre, and displays on the top floor look at the scientific development of the four elements.

But the pavilion itself is the main exhibit, and it is the element of water that visitors will always remember in all its moving splendour.

Gidon Kremer

QUEEN ELIZABETH HALL

Beyond his worldwide career as a soloist, violinist Gidon Kremer has been running his own chamber music festival in tiny Lockenhaus (Austria) for ten summers now, and on Thursday he brought some regular colleagues with him to the Queen Elizabeth Hall under this new label.

Their music was Messiaen's *Quatuor pour la fin du temps* and Schubert's great Quartet in G, D.887; the friends were the clarinettist Sabine Meyer (once a famous bone of contention between Karajan and his Berlin Philharmonic) and the pianist Oleg Maisenberg, just for Messiaen, and three notable young strings for Schubert. Though Kremer led both works, he was at pains neither to domineer nor even to show off a little. He simply applied himself to the ensemble music with intense sympathy, and immensely polished technique. And so did they all.

Composed and premiered in a prisoner-of-war camp, Messiaen's seminal *Quatuor* wears its heart – and its devoutly Catholic soul – on its sleeve, but with less calculated flamboyance than much of his later music. The rapt, angular dance movements are swift, but hardly virtuoso stuff (Kremer's team were if anything a bit mild with them). The real challenges are in the hypnotically slow solo movements, where any fault in the elevated line will be cruelly exposed. Kremer and the cellist Clemens Hagen sustained their twin "Louanges" faultlessly, and in the "Abime des oiseaux" Miss Meyer's bated-breath pianissimo and subtle rhythmic spring were astonishing.

The Schubert quartet was a marvel of lucidity, but it should have been more. Doubtless in the interest of delicate precision, Kremer & co. (Hagen, Annette Bik – another original member of the Hagen Quartet – and Catherine Metz) mostly chose tempi at the bottom end of the plausible range and stuck to them. Everything – *everything*, including every possible repeat – had a lovely, silvery ring, at considerable cost to the black dramatic thrust of the whole work. If its most jagged junctures don't sound disruptive and dismaying, one isn't hearing it properly.

Of all performers, it was odd of Kremer to let that be smoothed away. I wondered whether he wasn't deferring too modestly to the Hagen ethos: those young Salzburg players made their name early by precocious, ultra-educated assurance, but they have never been *gutsy* – which is what this last Schubert quartet absolutely requires.

David Murray

As You Desire Me

NEW END THEATRE, HAMPSTEAD

Here is a genuine rarity that gave me a great deal of pleasure: an almost totally forgotten play by Pirandello that has the master's touch and at times fairly crackles with suspense about what is real and what is not.

As You Desire Me was written in 1930 and last performed in London in 1948. It is set in a mixture of Berlin and northern Italy, 1928, when the scars of the first world war were still deep and it was still too early to predict with certainty that the Weimar republic contained the seeds of the second, though I must say that in his scenes of German decadence, Pirandello came remarkably close to seeing the way the country was going.

Cia, or the "unknown woman" as she is normally referred to, is a dancer in a sleazy German cabaret. She is the mistress of a German writer, whose crazed daughter is as infatuated with Cia as he is. She has forgotten her past because of the devastation of the war. Then an Italian friend of her husband turns up, asking her to go home. The German lover shoots himself, but not fatally. The rest of the play moves to the Italian family villa in Udine.

I shall not go further into the plot because I do not want to give away the suspense. Suffice it to say that it revolves around whether Cia really is the missing wife. On one level, of course she is, but the point is that she has changed and is not the same person she was 10 years before, when dragged away by the troops and officers at the end of the war. Here we are on familiar Pirandello territory: what is real and what is an illusion? It may not be the best piece he wrote, but it is the real thing: no imitator could have done it.

Some of the vignettes are superb: the performance of the crazed daughter (played by Janet Steel), for example. So are some of the physical details: a mark on Cia's leg that may or may not have been deliberately removed. The suspense is intellectual: note the sudden chill when the German lover, arriving in Italy, seems to have proved through female psychology that Cia is not Cia after all.

The production in the tiny New End Theatre seemed to me slightly under-rehearsed. It began nearly 20 minutes late, had two intervals instead of the one that was billed, and there was some fluffing of lines. The acting is uneven, sometimes even by the same character. Ruth Kettlewell as the old aunt, for instance, frequently looks and speaks as if she was born to play Miss Marple; at other times she is curiously wooden. The women,

Alastair Muir

Sandra Fox as Cia

on the whole, are better than the men.

Cia is played by Sandra Fox. This is a magnificent part, including the cabaret dancing, and with a little more rehearsal it should be a magnificent performance. Even now it is thoroughly gripping.

The direction is by Derek Wax and one can only salute the enterprise in unearthing the play and producing a new translation by Kate Nelson. It runs at Hampstead until March 29 and it deserves more.

Malcolm Rutherford

SPONSORSHIP

A trend towards the multinational approach

This will not be an easy year for arts sponsorship in the UK. Some large companies, such as Shell, are cutting back on their help for the arts; others, such as BP, are freezing their expenditure. Few are actually axeing what are still minute sums of money in the corporate budget, but the years of expansion are over.

Even well-established and successful arts projects, such as the annual regional tour by the Royal Shakespeare Company, are on the point of cancellation because no sponsor can be found. The tour has been livening up parts of the UK other arts institutions never reach since 1978, with Hallmark, NatWest and most recently BT picking up the bill in return for hospitality and promotional opportunities.

But, in January, BT told the RSC that, after four years, it was switching its support to Northern Ballet. The RSC has quickly approached the 40 most likely sponsors, but without success. The sponsorship costs £185,000, but for that a company gets 33 weeks, including seasons at Stratford plus touring with *Richard III*, visiting small towns from Cornwall to Scotland. There is only a month left for a sponsor to be found before the arts suffers its first major casualty of the recession.

★

Arts sponsorship may be freeze-framed in the UK – although the Association for Business Sponsorship of the Arts reports that all the money available under its Business Sponsorship Incentive Scheme is still being snapped up by keen new sponsors – but there is growing interest in multinational initiatives.

Funding a European tour by an orchestra, or a visiting arts exhibition, gives sponsors wonderful opportunities to meet key politicians and business contacts in potential export markets. Nomura Securities picked up important commissions from the Czech and Hungarian governments thanks to introductions forged from its support of the National Theatre's recent tour to those countries.

Now CEREC, the organisation representing national arts sponsorship associations and based at ABSA's HQ in London's Docklands, has come up with the first guide to the tax situation for sponsors in 17 leading European countries. The 62-page booklet *Business Support for the Arts in Europe* is available from CEREC or from the sponsors, and authors, accountants Arthur Andersen.

The quick summary reference offers the eye catching facts that Greece is the only country reviewed where sponsorship is not a deductible business expense and that in Spain (because of the Olympics, the Expo in Seville, etc), there is a 30 per cent tax deduction for donations during 1992.

The booklet estimates expenditure on arts sponsorship in various countries, ranging from £57.2m in the UK to FFr650m-700m (£66m-71m) in France and DM250m-300m (£87m-104m) in Germany. The figures for the Netherlands are Fl 150m (£46m) and for Ireland, I£2m (£1.8m). The variations in tax assessment between sponsorship and donations are outlined and the position of foreign companies mentioned.

This wealth of information is essential for companies considering pan-European sponsorship campaigns. Some sponsors fail to take advantage of tax breaks on their expenditure. They are doing themselves, and the arts, no favours in foregoing such benefits.

This free booklet, nicely timed before 1993, when a surge in pan-European sponsorships is anticipated to celebrate the single market, should be an essential aide-mémoire.

CEREC has also commissioned research into why companies undertake European sponsorship. Not surprisingly, it concludes that most companies sponsor on a haphazard project-by-project basis, with the main advantage reckoned to be the kudos gained by being seen by peer businesses as a "European" company. Then comes the ability to gain access to overseas politicians, in particular the influential executives at European institutions in Brussels and Strasbourg.

★

Our television detectives seem to have taken to drink recently. Inspector Morse keeps going thanks to the sponsorship of Beamish stout and Maigret is supported by Kronenbourg lager. Both brands are marketed in the UK by Courage, which has committed itself heavily to film sponsorship.

Its television links are close to advertising, but it is also prepared to invest in film as an art form. It stumped up £30,000 to enable Nomad Pictures, formed by two young marketing men with film school links and using young actors and student technicians, to produce *Augustine*, about a young mental patient in a 19th century French asylum. As well as seeking brand awareness from its credits on the film – and encouraging young talent – Courage used the inexpensive project to test the waters of the film industry. It is now contemplating investing $3m in a full length movie, *House of America*, in which it will have an equity stake as well as a promotional spin-off.

★

Kallaway, the sponsorship consultant, has picked up two new assignments. It will manage for Morgan Furze, part of IDV, its Baileys SummerStage series of 12 open air classical music concerts in the grounds of English country houses, and it will also look after the Munch exhibition at the National Gallery in November, which is being sponsored by Norsk Hydro to the tune of £250,000 plus.

★

The Cleveland Orchestra will be playing at this year's Salzburg Festival, and the London Proms, courtesy of the communications company, Ameritech, which is putting up $1m over the next three years. This also brings the orchestra to Salzburg in 1994 and perhaps 1995.

Ameritech's subsidiary Ohio Bell has long been a supporter of the orchestra, but this is the first time that it has attracted a major backer outside of Cleveland. Its biggest local sponsor is BP America.

★

IBM is behind one of the largest arts sponsorships ever seen in Ireland – IR£450,000 to enable the National Gallery in Dublin to take a show of Old Master paintings from its collection to the US.

Antony Thorncroft

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Ken-Ichiro Kobayashi conducts the Netherlands Philharmonic Orchestra in music by Bizet, Poulenc, Falla and Ravel. In the Kleine Zaal, Nobuko Imai accompanied by Roger Vignoles plays music for viola by Hindemith, Schumann and Franck. Tomorrow: Robert Schumann Ensemble. Wed and Fri: Emerson Quartet. Thurs and Sun afternoon: Riccardo Chailly conducts Messiaen's Turangalila Symphony (6718 345)
Muziektheater 19.30 Hartmut Haenchen conducts Pierre Audi's production of Mozart's Mitridate, with a cast including Bruce Ford and Jochen Kowalski, also Thurs and Sun afternoon. Tomorrow and Wed: Compagnie DCA in Triton, choreographed by Philippe Decouflé (6255 455/credit card bookings 6211 211)

BARCELONA

Gran Teatre del Liceu 21.00 Uwe Mund conducts first night of Helmut Polixa's new production of La traviata. Runs with alternating casts till March 20, with next performances on Wed, Thurs, Sat and Sun (412 1466)
Palau de la Musica 21.00 Charles Dutoit conducts the Philharmonia Orchestra of London in music by Rossini, Stravinsky and Berlioz, with Chantal Juillet violin soloist. Tomorrow: Isaac Stern. Wed: St Petersburg Quartet. Fri, Sat and Sun morning: Uto Ughi is violin soloist with the Barcelona City Orchestra. Fri evening: Sumi Jo sings Mozart (268 1000)

BERLIN

Schauspielhaus 20.00 Claudio Abbado conducts the Berlin Philharmonic Orchestra in Tchaikovsky's Violin Concerto (soloist Maxim Vengerov) and Ravel's Daphnis et Chloé. Tomorrow: Weimar Staatskapelle. Wed: CPE Bach Chamber Orchestra. Thurs, Fri, Sat: Abbado conducts Schubert and Beethoven symphonies. Sun and next Mon: Radu Lupu plays Schumann's Piano Concerto (East Berlin 2090 2156)
Deutsche Oper 19.30 Three choreographies by Christopher Bruce. Tomorrow: Il barbiere di Siviglia. Wed: Tannhäuser. Thurs: Entführung. Fri: Makropoulos Case. Sat: Lucia di lammermoor. Sun: Le nozze di Figaro (West Berlin 3410 249)
Staatsoper unter den Linden 19.00 Rudolf Nureyev's production of Sleeping Beauty. Tomorrow and Sat: Iphigenie en Aulide. Wed: Die Zauberflöte. Thurs and Fri: Carl Orff double bill. Sun: Tristan und Isolde (East Berlin 2004 762)

BONN

Beethovenhalle 20.00 Mariss Jansons conducts the Oslo Philharmonic Orchestra in Dvořák's Seventh Symphony and Bartok's Concerto for Orchestra (773666). The Oslo Philharmonic tour continues to Frankfurt tomorrow, Munich on Wed, Linz on Fri and Vienna on Sat and Sun.

COLOGNE

Philharmonie 20.00 Heinz Rögner conducts the Berlin Radio Orchestra in Bruckner's Eighth Symphony. Tomorrow: Pergolesi's Stabat Mater. Wed: I Musici di Roma play Mozart and Bach. Thurs: Maurice André plays trumpet concertos by Hummel and Haydn. Fri: Gary Bertini conducts the Cologne Radio Symphony Orchestra (2801)
Bürgerhaus Stollwerck 20.00 The Lighthouse, chamber opera by Peter Maxwell Davies, also tomorrow. Wed and Sat in Opernhaus: Janacek's From the House of the Dead (221 8400)

COPENHAGEN

Royal Theatre 19.30 Le nozze di Figaro, new staging by Vibeke Bjelke. Tomorrow: Bournonville double-bill. Wed: Abdallah. Thurs: Ariadne auf Naxos. Fri: Bournonville's Far from Denmark. Sat: The Lay of Thrym, Bournonville's great dramatic ballet based on themes of Norse mythology (3314 1002)

LONDON

South Bank Centre 19.45 Piano recital by Fou Ts'ong. Tomorrow: John Lill plays Brahms' Second Piano Concerto. Wed: Haitink conducts Richard Strauss. Fri: Rattle conducts the CBSO. Sun: Krystian Zimerman (071-928 8800)
Barbican 19.45 Stephanie Gonley is director and violin soloist with the English Chamber Orchestra in music by Vivaldi and Bach. Wed: Michala Petri and the Academy of St Martin in the Fields. Thurs: Colin Davis conducts the LSO. Fri: Andrew Davis conducts the BBCSO. Sun: Jeffrey Tate conducts Mozart and Shostakovich (071-638 8891)

MADRID

Capilla de San Andres de los Flamencos 21.00 Gerhard Oppitz, Shira Rabin and David Geringas play piano trios (578 1092)

MILAN

Teatro alla Scala 20.00 Borodin Quartet. Tomorrow: Manon Lescaut. These are the only performances at La Scala this week (7200 3744)

NEW YORK

Blue Note Jazz Club and Restaurant Tonight's guest artist is Sam Pilafian, with shows at 21.00, 23.00 and 01.00. The rest of the week is a Blues Summit with Maceo Parker and Johnnie Johnson (475 8592)
Carnegie Hall 20.00 Jesus Lopez-Cobos conducts the Cincinnati Symphony Orchestra in Lutoslawski's Cello Concerto (soloist Lynn Harrell) and Tchaikovsky's Fourth Symphony. Tomorrow: Wolfgang Sawallisch conducts the Philadelphia Orchestra. Wed: Maurizio Pollini. Fri: Waseda Symphony Orchestra. Sun: concert performance of Wagner's Rienzi (247 7800)
Metropolitan Opera 20.00 Nello Santi conducts Rigoletto, with Marilyn Mims as Gilda, also Sat. Tomorrow and Fri: Le nozze di Figaro. Wed: Don Carlo. Thurs: Parsifal (362 6000)

STOCKHOLM

Konserthuset 19.30 Opening concert of a week-long piano festival. Tonight's programme of Brahms, Schumann, Scriabin and Albeniz is played by Mona Sandstrom. Tomorrow: Erik Lanninger. Wed: Lars-David Nilsson. Thurs: Per Lundberg. Fri: Bengt-Ake Lundin (244130)
Royal Opera This week's repertory includes Simon Boccanegra tomorrow and Thurs, and Le nozze di Figaro on Wed and Sat afternoon (248240)

VIENNA

MUSIC/DANCE
Staatsoper 19.30 L'elisir d'amore with Luciano Pavarotti as Nemorino (also March 13, 17, 20). Tomorrow: Rusalka. Wed: La traviata. Thurs: Carmen with Baltsa. Sat: La bohème with Katia Ricciarelli (51444 2960)
Ronacher 20.00 National Ballet of Zaire. Tomorrow, Wed, Thurs, Fri: Hahizé-Club dance group from Ivory Coast (586 1676)
Musikverein 19.30 Andras Schiff and friends give the first of four concerts in the Brahms-Saal devoted to chamber music by Haydn. In tonight's programme, Cecilia Bartoli is soloist in the cantata Arianne a Naxos. Tomorrow's soloist is John Shirley-Quirk, with further concerts on Wed and Thurs. Wed in Grosser Saal: Luciano Pavarotti. Sat and Sun: Mariss Jansons conducts the Oslo Philharmonic (505 8190)
Konzerthaus 19.30 Piano recital by John Lill. Thurs: Lieder recital by Christa Ludwig. Fri: Dennis Russell Davies conducts the Deutsche Kammerphilharmonie (712 1211)
THEATRE
Macbeth, directed by Claus Peymann, can be seen at the Burgtheater on Wed, Sat and Sun. Hugo von Hofmannsthal's Der Schwierige, directed by Jürgen Flimm, is showing on Thurs and Fri (51444 2218). Vienna's English Theatre (Josefsgasse 12) has performances of Richard Harris' thriller The Business of Murder, daily except Sun till April 11 (402 1260).
● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

ZURICH

Tonhalle 20.15 Edmond de Stoutz conducts the Zurich Chamber Orchestra in music by Rossini, Webern and Schubert, with Jeremy Menuhin soloist in Mozart's Piano Concerto No 24 (252 1737). Wed and Fri: Pinchas Steinberg conducts the Tonhalle Orchestra (201 1580). Tomorrow and Thurs in Opernhaus: Ligeti's Le Grand Macabre. Wed and Sat: Don Giovanni with Ruggero Raimondi (262 0909)
Schauspielhaus 20.00 Arden of Faversham, Elizabethan thriller directed by Terry Hands, also Wed and Sun. Tomorrow and Thurs: Dürrenmatt's The Physicists (221 2283)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700
Monday March 9 1992

Nigeria's case for help

NIGERIA'S civilian politicians, preparing for the handover from military rule, should be heaving sighs of relief. General Ibrahim Babangida's decision to bite the bullet and float the naira may have saved a structural adjustment programme which was in serious trouble. A large devaluation would not have been a happy start to Nigeria's return to civilian rule next year. But what the president is up to is, as yet, impossible to decipher: a final thrust for reform; the last flail of a tired leader; or a clever ruse to fool the international financial community? Hope springs eternal, but experience counsels caution.

The government's intention, of course, is that floating the naira, and so closing the widening gap between the official and market rates, will lead to an agreement with the IMF and a subsequent rescheduling of Nigeria's $30bn of external debt. The economic case for such relief is compelling. Nigeria's huge debt burden, with notional debt service payments consuming 60 per cent of export earnings, makes development impossible. The country desperately needs to free resources to invest in its crumbling infrastructure.

Yet Nigeria's creditors should be sceptical. The exchange rate crisis reflects the weak government management of the past year. The exchange rate differential has grown because inflation has accelerated to an annual rate upwards of 30 per cent, fuelled by high domestic credit expansion to fund a growing budget deficit as public spending ran out of control.

Tough controls

There is no point in throwing more resources at Nigeria unless the government can prove that it is serious about reform once more. The exchange rate can only be prevented, when floated, from collapsing if this devaluation is combined with a tight monetary policy and tough controls on public spending. The governor of the central bank last week reaffirmed the federal government's commitment to "fiscal restraint and public sector rationalisation", with expenditure to be targeted only on "priority projects that can be satisfactorily completed by the end of 1992". But promises are not enough. Until they are backed by a precise plan of action, the IMF and the creditors should bide their time.

To be specific are grandiose and economically unviable projects such as the Ajaokuta steel plant and the proposed aluminium smelter to be stopped; or will Nigeria's roads, telephones and schools crumble while oil revenues continue to prop up the politicians' pet projects? Is the fiscal base to be widened so that public spending can be met from taxes rather than by printing money; or will the government continue to subside domestic petrol at the absurd price of US 4 cents a litre, while turning a blind eye to large-scale smuggling of fuel to neighbouring countries and widespread evasion of customs duties?

Internal monitoring

Only when these questions have been answered satisfactorily should a new IMF agreement be signed. The truth is that the Babangida administration, which started so well when it launched its economic reform programme in 1986, has over the past 12 to 18 months given structural adjustment a bad name. His government must now show that the recent mismanagement and siphoning off of state funds is over. Nigeria desperately needs greater internal monitoring, as well as external scrutiny, of its economic affairs.

Only then would Nigeria's creditors have reason to believe that debt relief will speed development and ease the suffering of Nigeria's citizens, rather than be dissipated by politicians. The forthcoming presidential elections may tempt the western creditors to offer a combination of debt reduction, debt rescheduling and new lending to encourage reform. But these should be offered only on the condition that the government can agree to, and keep to, tough conditions laid down in a new IMF agreement. Without fiscal discipline and closer monitoring, Nigeria's structural adjustment will fail, and the current misery of much of the population of Africa's largest, and the world's 13th poorest, country will continue.

A lottery for good causes

THERE STOOD the home secretary, ready for his photo opportunity, brandishing a handful of £10 notes and looking for all the world like a reasonably prosperous bookmaker. The image was appropriate. The proposal for a national lottery, which was announced on Friday, has the marks of a rather seedy piece of electioneering.

The lottery, according to Friday's white paper, will provide "a harmless form of entertainment". Until 1826, when it was banned, it was "a respectable government undertaking, which at one time had the then Archbishop of Canterbury as a trustee". That may be a rather partial view of history: a House of Commons committee, established in 1808, concluded that "the foundation of the lottery system is so... vicious... that under no... regulations will it be possible... [to] divest it of all... evils". You do not have to go all the way with these worthies to be critical of the present proposal.

In the first place, a lottery is highly regressive. All the evidence from around the world is that tickets are mainly bought by the poor, the frustrated and those who are failing behind society in one way or another. Moreover, they are sold on terms which would make a mobster blush.

The government expects that around a third of the proceeds will go on "good causes" and another 15 per cent on expenses; what is left for prizes will then be subject to an as yet unspecified lottery tax. That adds up to a very negative sum game indeed, and one which even by the standard of lotteries seems heavily loaded against the player. On one estimate, prizes usually average around 60 per cent of receipts.

Cultural pursuits

The worst feature of the plan is that the people who pay for it will not, by and large, be the main beneficiaries. The good causes which the government has in mind include the arts, sports, the heritage and charities: special emphasis is placed on improvements to the national heritage "ranging from cathedrals through museums to listed buildings from our artistic and industrial past". All worthy objects, but all tending to be of most pressing interest to the more prosperous members of society. The relatively poor people who will buy lottery tickets will be subsidising the cultural pursuits of the relatively well off, who will not.

New quango

There is something rather odd about a conservative government proposing the establishment of a legally protected monopoly, to be administered by a new quango. Its members will be "independently minded and have achieved personal distinction and public standing". No wonder the various arts and sports lobby groups are already rubbing their hands in anticipation.

At least the white paper promises that the money raised will not be used to finance the government's conventional spending programmes. But you can never be sure. New York established its lottery in 1967 with the profits to be set aside for education: came a budget crisis, and the money was quickly shifted into the general fund. The same happened a little later in Connecticut.

Despite all this, the economic and political climate is probably right in the UK for a lottery system: the home secretary will not be alone in dismissing its critics as "party poopers". Ever since lotteries were used to rebuild Rome after Nero burnt it down, governments and the public have been happy to turn to this device at times of slow growth and growing deficits.

But if a lottery is inevitable, let there be some attempt to steer the proceeds towards the people who will be buying the tickets. One idea would be to build a network of money advice centres, which could – among other things – warn people against playing games in which the dice are too heavily loaded.

If Britain needs to spend a bit more on the arts, which it probably does, and if the sensible way to fund this is through a hypothecated tax, which it possibly is, then let the levy fall on those who are most likely to benefit. A tax on muesli, perhaps, or on designer ice creams.

John Lloyd says peace for Nagorno-Karabakh is seemingly out of reach

Mountain to climb

Making nations is an ugly matter, especially when they are being formed from the ruins of totalitarianism.

In Azerbaijan now, the republic's national leaders are jockeying for power in the wake of the resignation on Friday of President Ayaz Mutalibov. While this is going on, people are gorging themselves on details of real and alleged atrocities perpetrated by Armenian irregulars in their enclave of Nagorno-Karabakh against Azeri towns and villages on its south-east corner. These reports of atrocities, which have a hard core of truth however much they are inflated, have made a fraught situation apparently insoluble.

Nagorno-Karabakh is taking its place among the world's apparently unsolvable ethnic territorial disputes. This sliver of mountainous ("nagorno") territory has been home to Armenians for centuries. Given semi-autonomous status in 1923, it has long been regarded by Azeri nationalists as an affront to their national integrity. Since 1988, it has been the focus of a distrust of Moscow in the popular fronts of both Armenia and Azerbaijan.

President Levon Ter Petrosian of Armenia was a leading member of the Karabakh Committee, which was the nucleus of the Armenian independence movement. President Mutalibov of Azerbaijan has just fallen because he could not protect his people in the Azeri towns within the enclave. Karabakh is at the heart of the two new nations' politics, and positions on both sides have grown increasingly rigid.

The town of Agdam, near the Nagorno-Karabakh border in Azerbaijan, is now a site of muted horror. It lives under the shadow of the massacre at the Azeri village of Khodjaly on February 25 and 26, when – from the survivors' account – Armenian guerrillas fell upon the town, and massacred a refugee column fleeing towards Agdam. The low claims on the Azeri side are of around 1,200 dead; neutral observers say about 200.

On the streets of Abdam there are groups – hundreds strong – of refugees. In the local hospital, practically devoid of equipment, five people lie in bed in the tiny, foetid wards; when the bandages are unwrapped from their feet they reveal suppurating toes and soles, the flesh having been eaten away.

The story told by one of them, Ms Aina Gasanov, 50 but looking 70, is that they fled to the woods from Khodjaly on the night of February 25 and were there until found last Saturday – 11 days and nights, lightly clad in sub-zero temperatures, eating only snow. There had been, she said, 200 of them: half had died, some were still there. A young doctor standing by said that all the survivors would undergo amputation.

There is little sign of damage in the town itself. I saw three sites where rockets, said to be of the Krystal type, had fallen: one had come down outside a partly built bungalow, the fragments making a hole in the roof below which slept two infants (who were unhurt). We were told six such rockets had fallen on Saturday night.

The front line is now on the Karabakh border, a few kilometres up the road from Agdam. Near the village of Shell the Azeris have established a post with two rusting 150mm Pushka cannon. One was pushed to the brow of a hill overlooking a valley in which lies the town of Afkeran, formerly Azeri and now held by the Armenians. There were two forward Azeri positions beyond, each with half a dozen men. That appeared to be the strength of the Azeris in the field yesterday.

One man at the Sheli post said that one of the cannons worked, another said that neither did: in any event, there was one shell. A little further away in the valley, automatic fire crackled sporadically, interspersed with booms from Armenian guns in or near Afkeran. Azeris warned of snipers, but no fire was directed at the post when we were there.

However, it had come under fire while host to a Drad rocket launcher, according to a television reporter who had filmed it. The Azeris, who continually complain of relative weakness in the face of Armenian strength, have one or two Drads and some tanks and armoured personnel carriers.

If anything is clear in this muddy, partisan struggle it is that the Armenians are trying to clear the Azeris out of Karabakh and secure their borders. The front line post at Sheli is on the border; Askeran just inside.

Shusha, a little further in, is still held by the Azeris but surrounded by Armenians, and we were told that helicopter flights had stopped.

In clearing the area, the Armenians have laid what presently seem to be the indestructible foundations of Azeri hatred, and appear to have put any kind of peace out of reach.

The reverses suffered by the Azeris have fed their way quickly into national politics. President Mutalibov, a former first secretary of the Azeri Communist Party who rushed through presidential elections last September in the wake of the August putsch, had tried to retain vestigial links with the former Soviet Union, agreeing to membership of the Commonwealth of Independent States and delaying the creation of a national army and currency.

He had survived in the clannish politics of Baku, the state capital, by co-opting some opposition figures into power – thus he had hoped to avoid the fate of President Zviad Gamsakhurdia, the former Georgian president, who excluded to his cost a widening circle of the opposition.

It seems, however, that Mr Mutalibov was unable to quash the cabals. His ambitious prime minister, Mr Gasan Gasanov, had put lines out to the opposition and when, last Thursday and Friday, thousands surrounded the Azeri Supreme Soviet in protest, he turned on the president and helped to bring about his fall.

"Even if another takes my place, you will not be able to solve the Karabakh problem," said Mr Mutalibov before he went. But those now calling for a change in policy think they can.

Dr Tevfik Gasimov, a senior member of the Supreme Soviet's National Council, which now exercises effective power, said at the weekend: "We want Azerbaijan to be a democratic unified state. We will have no autonomous regions; these are a left-over of Soviet imperial days when they used one nation to control another. The Armenians in Karabakh will be equal before the law with every other citizen."

Dr Gasimov said that the first priorities were to form a national army of between 20,000 and 30,000 men, 10,000 of whom would be used to seal off the borders and airspace of Azerbaijan, preventing equipment and soldiers being flown in to Karabakh. He – and others – made much of the size and efficiency of the military forces on the Armenian side, saying that the local forces were augmented by professional fighters from Syria and Lebanon, where there are substantial Armenian minorities.

A Lebanese film-maker in Agdam confirmed part of this, saying that the rich Dashnak (Armenian) community in his country was providing funds for arms and men to help their kin in Karabakh.

The area has already played a role far beyond its size. In stimulating the national movement in Armenia, Karabakh lit a torch round the former Soviet Union – one still flaring in Azerbaijan.

Furthermore, it is one example of a host of similar cases. All over the former union are autonomous regions of differing statuses – many within the Russian republic itself, which is home to several different peoples.

The groups of politicians in Baku who claim the right to destroy these autonomies in the name of the equal rule of law are paralleled in other republican capitals – including Moscow and Kiev.

They claim such regions are relics of Stalinism and so, in a sense, they are. But the fact is that the people in them cling to their autonomous status, or seek to become fully independent, through fear or a resurgent sense of nationalism. This will hardly go away without further – perhaps a great deal of – bloodshed, if no mechanism can be found to untangle these knots.

Path of violence: an Azeri soldier carries a woman from the village of Khodjaly, recent scene of a massacre

All over the former union are autonomous regions of differing status – many within the Russian republic itself

Backtracking on rail sale

Richard Tomkins on a change of heart over privatisation plans

British Rail's passengers do not want privatisation. Look at it this way, they argue.

BR is terminally unprofitable. If it is privatised, it will have to start making money. There are really only two ways of achieving that: raising the fares, or axeing unprofitable services. Either way, rail users will suffer.

It is not just BR's passengers who are concerned about privatisation. Communities fear for the future of their transport links. Car drivers want to keep people on the trains and off the roads. The environmental lobby presents public transport as a panacea for pollution. Nearly everyone agrees that railways are A Good Thing.

That, in short, is why ministers have abandoned plans for a "big bang" privatisation of BR. One recent opinion poll suggested that more than 80 per cent of voters see privatisation as a threat to rail services rather than a boon. With a general election looming, ideology has therefore had to take a back seat to pragmatism in the quest for a means of fulfilling the government's privatisation pledge.

It all looked so different just four months ago. Then, Mr Malcolm Rifkind, transport secretary, had the air of a man in a hurry. No part of the railway would be untouched by privatisation in the lifetime of the next parliament, he said. The profitable InterCity and Railfreight divisions would be swiftly sold off – in InterCity's case, complete with tracks. Services on the loss-making Network SouthEast and Regional Railway networks would be franchised to whoever would run them with the smallest subsidies.

But the plans always seemed ambitious. Railfreight, which had good potential for making profits because it was unburdened by the cost and complexity of owning its own tracks, might conceivably have sold. But InterCity was far from making what the private sector would regard as a commercial return, and its most important route, the London Euston to Glasgow line, was badly in need of a £750m refurbishment.

Franchising, too, presented a series of problems. In the absence of any domestic or international market for used trains, where would franchisees get their rolling stock? What would happen if a franchisee went bust? What sort of service would people get from a company serving out the last few months of a franchise that had not been renewed?

Another feature of the Rifkind plan was on-track competition, at least for InterCity. But if InterCity owned the tracks, what was to stop it keeping competitors away by inflicting punitive charges for access? And if a regulatory body was set up to prevent this, would InterCity's signalmen simply shunt competitors' trains into the sidings while their own trains whistled by?

As the difficulties mounted, rival plans began to emerge. Trade and industry ministers, influenced by the Adam Smith Institute, the right-wing think tank, said the only way to guarantee proper competition was to separate ownership of the tracks from the trains – in other words, making railways like roads or airports. Downing Street backed the ideas of the right-wing Centre for Policy Studies in seeking a return to the glory days of the regional companies like the Great Western Railway.

History does not relate what the Treasury made of all this. In all probability, it was aghast. Proceeds from any form of privatisation would be tiny; many parts of the railway would have to be fattened up with heavy investment to make them saleable; and subsidies, far from falling, might need to rise to enable private sector operators to make a commercial return.

Faced with the intractability of these objections, ministers have finally decided to do what BR chairman Sir Bob Reid said they should have done all along: take things slowly. First, private sector trains will be allowed on to the tracks. Next, BR's unprofitable train services will be franchised out and the profitable ones sold – possibly in groups, like the former Great Western services out of London Paddington. Finally, when all the trains are privately run, BR will end up as a track authority, perhaps to be sold off to the private sector as an asset-rich blue-chip stock.

One attraction of this solution is that everybody seems to get something out of it. BR gets a stay of execution; trade and industry ministers get their track authority; Downing Street gets its Great Western Railway; and Mr Rifkind can argue that his only serious reverse has been the decision to split the sale of InterCity's trains and tracks.

And what of the passengers? Inevitably, the package has been designed with the election in mind. Voters will be reassured with the message that privatisation – or denationalisation, as it is to be known – will bring the dawn of a new golden age for the railways.

Whether they swallow it or not is another matter. But their two big concerns – fare rises and service cuts – are likely to remain naggingly persistent. After all, if BR's services are sold to the private sector, then the government will relinquish control over fares and timetables. If it insists on retaining that control, then the private sector will not want to buy the services. No amount of repackaging will make that conundrum go away.

OBSERVER

Insider spoils

■ Perhaps City villains should take a tip from the world's drug traffickers. If you have to get arrested and thrown in jail, Zurich is the place to have it happen.

The prisons are nice, and you get paid £7.60 a day net for your labours. South American drug-mules love it, it seems, because they can make more money there than at home. With an average sentence of 38 months, they can stash away a nifty £8,850. Moreover, they can ship it home without hindrance because Swiss law forbids anyone to make a claim on the money.

All this, plus the cost of prosecution which is paid by the state, has been getting on the nerves of Marcel Bebié, the public prosecutor in the district of Bülach which, being adjacent to Zurich airport, has to handle all the mules caught on their way to the city's big drug market. Bebié suggests the level of jail pay should be related to the cost of living in the criminal's country.

Then only the Japanese would want to come.

Strange taste

■ The idea that Warren Buffett, the canny American investor, has suddenly found a taste for the shares of Guinness, Britain's sixth biggest company, is a bit hard to swallow. True, Buffett likes to take big stakes in solid brand names and has done very well by investing in that other well-known drinks company, Coca-Cola.

But Buffett tends to invest in famous names when they are down on their luck. Witness his current love-affair with Salomon. Guinness, by contrast, has been outperforming the market for years and is selling on 18 times earnings. It is hard to see how it can perform much better.

If Buffett really has a big stake in Guinness – one per cent would be worth over £100m – perhaps he should be thinking of lightening his load, rather than adding to it?

On the turntable

■ How time flies. Remember a punk band from the late 1970s called the Sex Pistols? Didn't EMI sign up the group and then drop them after the group had released only one record because it was worried about the bad publicity? And didn't Richard Branson's Virgin records then release their album, Never Mind the Bollocks, Here's the Sex Pistols, which contained a track called EMI?

It was not a flattering little ditty and ended with a loud raspberry. Presumably. Thorn EMI now owns the rights to the company song.

Precautions

■ It's over four months since Robert Maxwell died but bizarre anecdotes about the man continue to surface in odd places.

The latest, recounted in a review of Tom Bower's Maxwell biography in the Times Literary Supplement, could have come straight out of a film script about Harry Lime's post-war underworld.

Maxwell had invited Rodney Leach, a Rothschild banker, to visit him alone at Headington Hall. "Alarmed by the underworld tales which had come to my ears about his years in the Berlin Control Commission, I agreed to the visit on one condition, that telephone calls would be put through to the house at specified times, and if I did not reply the caller would summon the police," writes Leach.

Maxwell showed not a flicker of offence or surprise. "Indeed, he seemed to view my precautions with some respect, as evidence that I had at least an inkling of the realities of life," says Leach who now sits on the Jardine Matheson board.

"Have a dramatic week in British politics"

Lindi's broadcast

■ It sounds as if there is a little disagreement behind the cameras about the content of what could be Britain's most exciting party political broadcast this year.

If Lindi St Clair, founder of Britain's Corrective Party, can raise a minimum 50 candidates willing to stand in the election, her party will qualify for an election broadcast. St Clair envisages a broadcast replete with brothel scenes – featuring "lots of condoms, disinfectant and clean sheets" – to lend credence to her main policy idea – legalising prostitution. "The clean side of a brothel has never been shown on the media," she says.

That is not quite what the BBC has in mind. Margaret Douglas, the Beeb's chief political adviser, was thinking more in terms of producing something similar to the swansong put out recently by the now defunct SDP.

That broadcast, featuring the twin talking heads of John Cartwright and Rosie Barnes – the two remaining SDP MPs, was by common consent among the dullest of recent times. It would be a supreme test of even the former Miss Whiplash's daunting communications skills to make such a format interesting.

Overworked

■ Richard Lines, chairman of the acquisitive speciality chemical company MTM, seems to be under an unusual amount of pressure of late. First his well-connected company upsets the stock market by revealing that it is having difficulty getting its auditors to sign off the accounts. Then he resigns as chairman of the board of governors of Teesside Polytechnic.

The energetic Lines, who since 1979 has been MTM's driving force, had thrown himself wholeheartedly into his Polytechnic role, even giving £100,000 of his own money to found three academic chairs to strengthen its research.

As chairman he helped the Poly win the go-ahead for a new University College on Teesside together with Durham University and the Teesside Development Corporation. MTM says Lines had been considering resigning from the Poly board for some time, and the two events are unrelated.

No comment

■ The Financial Times' reputation for being first with the news is obviously growing. A woman called to ask one of our reporters whether he had an advance copy of the Budget. When he confessed he did not, she said: "Don't tell me you write it all up on the day".

Unsteady footing at financial summit

Haig Simonian explains why Mediobanca, the Italian merchant bank, is in need of new ideas

Italy's most powerful merchant bank, Mediobanca, is facing a crisis of confidence. After 40 years at the pinnacle of the country's financial establishment, serious flaws have been exposed in the strategies on which it built its success. Even some of its long-standing industrial clients have begun to question their close relationship with the bank.

Ever since the Second World War, Mediobanca has controlled the levers of power in Italy's financial and business world. The man tugging on the handles has been Enrico Cuccia, now, at 84, Mediobanca's honorary chairman, but still very much in charge.

Mr Cuccia has built Mediobanca's influence on two sets of alliances, at home and abroad. Within Italy, it has acted as the house bank of the *salotto buono*, the family groupings that dominate Italian business, enhancing their control with ever more complex webs of shareholdings. Elsewhere in Europe, rather than open its own foreign offices, it has developed close, informal links with a handful of well-established merchant banks, such as Germany's Berliner Handels- und Frankfurter Bank (BHF), the UK's S G Warburg and France's Lazard Frères.

Until now, these twin sets of alliances have reinforced one another. Mediobanca's dominance at home has increased its usefulness to its foreign allies; the strength of its international relationships has enhanced its usefulness to its domestic clients.

Now, this neat pattern is unravelling. In three recent deals, for some of the bank's biggest clients – the Agnelli family, the Pirelli tyres and cables group and Generali, Italy's biggest insurer – Mediobanca has stumbled. Its strategy is running into trouble, at home and abroad.

Within Italy, Mediobanca's dominance is threatened by the passage of investor protection laws to safeguard minority shareholders and promote greater transparency in big business transactions. This is a direct attack on the *salotto buono*'s pattern of secretive pacts between small groups of shareholders – and hence on Mediobanca, architect of many such agreements.

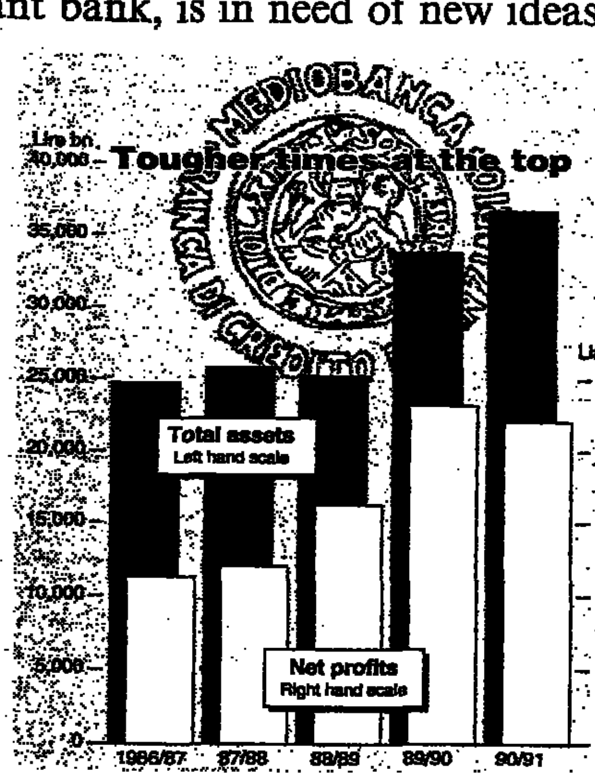
In the rest of Europe, Mr Cuccia's policy of alliances rather than direct expansion looks increasingly old-fashioned. The creation of a single European market and the growth of cross-border mergers and acquisitions have led the continent's big banking houses to establish wholly-owned pan-European networks. Informal working alliances are out of style.

The problems created by its failure to establish a wider network of its own is well illustrated by the most spectacular of Mediobanca's recent setbacks: Pirelli's defeat in its 15-month struggle to take over Continental, its German rival in the tyre business. The failure has a number of causes but neither Pirelli nor Mediobanca, traditionally its principal adviser, emerges well from the story.

Continental's adviser was Morgan Grenfell, the UK merchant bank bought in November 1989 by Deutsche Bank – with which Mediobanca has worked closely in the past. Deutsche Bank's acquisition of Morgan Grenfell was a striking example of the newly forming pan-European investment banking networks. The Continental battle was a clear victory for the new era: the combination of Anglo-Saxon takeover expertise and solidarity among the German financial and industrial companies which rallied to Continental's defence left Pirelli and Mediobanca outgunned.

Mediobanca's second setback has come in France, where the Agnelli family, which controls Italy's biggest industrial group, Fiat, is fighting for control of Perrier, the mineral water concern. For decades, Mediobanca has been the Agnellis' closest and most trusted financial adviser. It is not directly involved in the Perrier bid, and so its prestige is not immediately at risk. But the stakes are high, nonetheless: the Agnellis look like losing Perrier to a bid from Nestlé, the Swiss food group, backed by Lazard Frères and other important French banking names. Mediobanca has had to stand helplessly by as one of its most important clients has run foul of one of its traditional allies, Lazard Frères.

The third setback came at home, where its L1,750bn rights issue for Generali last year – the biggest capital-raising exercise by a quoted company in Italy – prompted unprecedented criticism by politicians and the press. For years, Mediobanca has been



the company's merchant bank; it is also the biggest single shareholder in Generali, with a stake of almost 6 per cent.

Bankers criticised Generali's rights issue as an attempt by Mediobanca to reinforce its hold over the company. Suspicions were aroused by the byzantine structure of the deal, which involved both new shares and warrants to purchase additional stock in future. Under the terms, voting rights for those shares not taken up immediately by investors would rest with a Mediobanca-controlled subsidiary. That could leave Mediobanca controlling another 20 per cent of the company's expanded share capital.

Mediobanca will have to come to terms with more transparent markets

The storm caused by the Generali deal provoked an outcry in the Italian parliament. The controversy played into the hands of politicians seeking new rules to protect small shareholders. Legislation to guarantee minority shareholders' rights is commonplace in most big industrialised countries, but only became law in Italy at the end of January.

The new regulations strike at the heart of Mediobanca's use of equity holdings to cement its dominant position in corporate finance. One of Mr Cuccia's most famous observations is that shares in Italy are not counted, but weighed. That refers to Mediobanca's technique of assembling small groups of shareholders, each owning a fraction of a quoted company, but whose pooled interests are enough to give them control. Such long-term shareholder pacts lie behind many of Italy's best-known groups like Pirelli and Olivetti.

The new Italian laws do not specifically ban shareholders' pacts. However, the exact status of these agreements is now uncertain, and could soon be tested in the courts. The new legislation also outlaws the practice of selling significant stakes in quoted companies at a premium price, one of Mediobanca's favourite corporate power-broking techniques.

The laws threaten Mediobanca's style of backroom diplomacy, increasingly anachronistic in Italy's new era of corporate transparency. Its whole style – an intense dislike for publicity, a powerful, inbred corporate culture – may also have been overtaken by events.

Mediobanca has just over 100 professional bankers among its 300 staff, all based in a single Milanese palazzo. Competitors define them as almost a "fraternity", professional and dedicated, but prone to arrogance.

"Its staff may be brilliant, but even Mediobanca has to adjust to the new era," says a leading Italian banker. "Merchant banks much bigger and more powerful than Mediobanca have recognised they must follow their clients abroad."

The pressures on Mediobanca are worsened by growing domestic competition. Dozens of new merchant banks have sprung up in the past five years. Many are insignificant. But some, like Akros, the highly capitalised merchant bank, are already licking at Mediobanca's heels. Others, like SIGE, the Milan-based investment banking arm of the IMI financial services group, can rely on a steady flow of business from their parent companies. A turning point may have come last year when SIGE was appointed by the UK government to be the lead manager for the Italian part of the UK electricity privatisation. Traditionally, Mediobanca would have expected that role by right.

It is not too late for the bank to adapt to the new era, building on its strengths to create a new, less inward looking and conservative institution. Its chairman, Mr Francesco Cingano, is a respected banker and former managing director of Banca Commerciale Italiana, the country's most prestigious commercial bank. He is well regarded, but hardly the breath of fresh air to revolutionise Mediobanca.

To safeguard its central role in Italian finance, Mediobanca will have to come to terms with more transparent domestic markets and a new era of European competition. That may have to wait until the moment Mr Cuccia surrenders control. To preserve the bank they inherit, Mr Cuccia's heirs may find themselves dismantling much of his legacy.

Samuel Brittan

Deficit theories pro and anti

Unease is already being expressed at the thought of Norman Lamont, the UK chancellor, adding further to the British budget deficit by cutting taxes.

The argument on the subject will not be between the government and Labour opposition. For by saying that Labour would borrow "to build", rather than to cut taxes, Neil Kinnock has already served notice that he is likely to accept whatever deficit the Conservative government chooses to run and to argue that it should be used for public spending instead.

But nor will it do to contrast too crudely John Major's profligacy with Thatcherite prudence, although there is a contrast to be drawn. The famous 1981 Budget, which raised taxes towards the end of the last recession (and drove 364 economists to protest) still left a budget deficit amounting to 3¼ per cent of gross domestic product, or only one percentage point or so less than is likely in the coming financial year. Sir Geoffrey Howe, the then chancellor, accepted (if reluctantly) that budget deficits rose in recession. His worry was that the pre-recession starting point was far too high and that a structural correction needed to be made.

The contrast is that after the 1981-82 Budget, the underlying trend was clearly downwards. Lamont will hardly be able to claim this for the 1992 Budget. Nor can any comparison be made between the two pence cut in the basic rate in the 1987 pre-election Budget and anything that happens tomorrow. For in 1987-88 the deficit was known to be falling rapidly and in the end turned into surplus.

The common sense, financial prudence argument against extra borrowing is that today's borrowing is tomorrow's taxes. Raising taxes to service the extra debt will be politically unpopular and cause economic distortions. The argument applies to every penny of discretionary borrowing and does not presuppose a "debt trap" in which the budget is out of control or any other catastrophe.

The argument for extra borrowing is the old so-called "Keynesian" one that it will stimulate spending and thereby help recovery from recession. For if an active fiscal policy really does make real GDP higher than it otherwise would be over a period of years, this would be a real gain to offset against the transfer burden on future taxpayers.

The case against any extra borrowing then boils down to the assertion that any output gains will be either too small to justify the risk, or temporary in the sense that they will be lost when the government curbs demand in the next boom. In that case the extra servicing cost on future taxpayers will be incurred for nothing.

There is a wise-guy argument why a stimulus would be ineffective. This argument is known by the pompous title of Ricardian equivalence, but it has more to do with the contemporary US economist, Robert Barro, than the early 19th century English economist, David Ricardo. This says that taxpayers know that borrowing will have to be serviced and ultimately repaid, and thus increase their savings accordingly, starting now. In that case the borrowing does no harm either. For it makes no difference if government finances itself by taxes or borrowing.

Kinnock will accept the Tory deficit and try to divert it to public spending

One would hesitate to stake one's life on the Barro doctrine. For it is difficult to believe that abolishing taxes altogether, or alternatively, doubling them, would have no effects for good or ill.

But over moderate ranges Ricardian equivalence has worked better than might have been expected. The failure of the US budget deficit to have the horrifying inflationary effect that some predicted and the failure of the very large British budget surplus in 1988-89 to do much to slow the economy or offset inflation are points in Barro's favour.

My own doubt is the more straightforward one that a big demand stimulus of any kind could easily halt or reverse the the progress in reducing inflation. Even now, inflationary psychology has not been completely eradicated and past experience has shown how easy it is to stimulate the economy when it is already about to move upwards.

Why would not the the same objection apply to a monetary stimulus, if the Bundesbank allowed it? The difference is that an interest rate can easily be reversed, while something like an income tax reduction, even if it takes the form of a higher tax starting point, becomes embedded and extremely difficult to reverse.

Any extra red ink in the Budget needs then to be justified by one of two alternative criteria. Either the stimuli ought to be rather like monetary policy in being easily and perhaps automatically reversible. This would point to indirect taxes and temporary investment incentives rather than income tax cuts.

Alternatively, they need to contribute to the long-term growth of the economy, so that some benefit is left even if there is no Keynesian stimulus. But it is far too simple to equate such expenditure with "investment" in the Budget accounts. It would be all too easy to translate Kinnock's borrowing-to-build into higher pay for workers on council contracts. And there are changes, such as eliminating work disincentives at the bottom of the income scale or selective spending on, for instance, science and engineering teaching, which could increase the economy's growth potential, even though they count as current.

My conclusion would be that some extra borrowing would be justified for investment, defined very broadly, and not in accounting terms. But this is not what I expect. The result of tomorrow's borrowing will be little good and moderate harm. I am much more interested in what happens to interest rates in Germany.

LETTERS

A method to determine any bias of risk among Lloyd's syndicates

From Mr A R Platts.

Sir, You report on the problem of so-called "insider dealing" at Lloyd's ("Lloyd's inquiry starts as insider row grows", March 5).

It is certainly important to look at the membership of particular syndicates, in a "vertical" manner as it were, to see whether this shows bias. However, it is perhaps even more important to look "horizontally" at the spread of syndicates, and especially at the underwriting lines on high risk syndicates, of individual Names.

That information should then be correlated with the members' agents through whom the Names underwrote.

A Name's contract with his agent stipulates that the agent is wholly responsible for the Name's underwriting, without interference from the Name.

It is therefore the agent's job to strike a sensible and safe balance for the Name, as between risk and reward. A "horizontal" analysis would show up whether there is a significant difference between working and external Names as to the risks they were taking; and whether particular members' agents were more liable than others to expose their Names (whether working or external) to undue risk.

Evidence is beginning to emerge, via the Name's Action Groups, that certain agents may have a very bad record in this respect.

An analysis of this kind is essential if a true picture is to emerge. The problem relates not only to insider dealing but also to the LMX "spiral", since a Name's membership of LMX syndicates is the main factor determining whether he had excessive risk exposure and will now be bankrupted. Since Sir David Walker's investigation is to look at insider dealing and the spiral, I trust he will make a full study of individual Names' risk exposure in relation both to their membership of LMX syndicates and to the agents who placed them on those syndicates.

I can illustrate the need for this analysis by mentioning that there are Names whose underwriting was entirely on LMX, and that there is a large number of Names who are on several disastrous LMX syndicates. Most of these people face bankruptcy as a result. It is a highly significant problem.

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False terms pose danger

From Dr Nicos Papadakis.

Sir, "Moslems ready to take on Serbs in Sarajevo" (March 4) asserts that Greece opposes international recognition of an independent state on its northern border bearing the name "Macedonia" for fear that this will stir "Macedonian" nationalism in northern Greece.

Greece fears "Macedonian" nationalism in Greek Macedonia as much as it fears "Peloponesian" nationalism in the Pelopponese, "Thessalian" nationalism in Thessaly and so on. That is not the danger.

The real danger lies in the expansionism implicit in the attempt of a small multi-lingual, multi-ethnic Yugoslav republic artificially created by Tito in 1945 to usurp and monopolise a historical Greek name and to claim territories of neighbouring countries under false pretexts.

Rather than providing support for Skopje's absurd and provocative views, we feel that, in the interests of peace and stability, such articles should avoid misleading and dangerous terminology.

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London W11 3TP

A welcome fillip to improve the status of engineers

From Mr Anthony Sumner.

Sir, It is disturbing that Britain is alone among 67 nations in the low respect and status that it accords to engineers. That is a principal reason why the number of first degree graduates going into engineering and allied industries has dropped 20 per cent in the last five years. "Engineers and a welding job" (February 25) was welcome publicity for the efforts of the steering group which, with the approval of the 46 institutions representing engineers, is moving towards a new federal body as the focal point for the profession.

In his Hugh Ford Management Lecture to the Institution of Mechanical Engineers, our chairman, Mr Lewinton, recalled how, in the 1970s, the big accountancy firms pooled their efforts in a marketing campaign that transformed the social standing and image of their profession.

He called on engineers to adopt a similarly positive approach. We in TI Group wish the steering group success.

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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution

Britain's narrowly educated accountants trail the international field

From Mr Peter McGregor.

Sir, The problem identified by Christopher Lorenz ("The sum total adds up to more than figures", March 6) is made worse in Britain because our very large numbers of accountants are much less well educated than those in other countries.

Only recently have most of them been graduates; even now I would expect very large numbers of them to have given up science subjects at about 14.

Engineers and others can learn about accountancy at any business school, and they do. Anyone who has done O-level arithmetic can understand accounting procedures, if not be an expert on tax avoidance, balance sheet cosmetics, takeover financing and other attributes which *really* account for the dominant position of accountants.

That is due to the continual invention of both Labour and Conservative governments of new financial traps, tax laws and, occasionally, incentive grants of allowances involving labyrinthine processes of application.

There is nowhere for accountants to learn about technology. A few years ago I realised this and ran an experimental Technology Summer School at Templeton College Oxford, with the college's full support. It was aimed at bankers and accountants. A group of front ranking scientists in their 30s was assembled and a programme of introduction to scientific and technological thinking designed. Hundreds of letters were sent to chairmen, managing directors, financial directors and others in companies, banks and accountancy practices.

The first participants were all nominated by a small and select number of chairmen of their companies.

If the letter got to finance directors or "directors of human resources", they tended to reply that "the school did not meet any of their closely targeted training needs". However, we were offering education, not training.

In fact, the school was judged by participants (in response to very detailed interrogation) to be most successful, but ran at a loss for the first year. We could not attract sufficient nominations for the second year to make it pay its way, and the idea was dropped.

Attempts are being made to broaden secondary education. Engineers and technologists have plenty of opportunities to learn about finance and economics. What a pity that business schools are not in a position to broaden the education of our narrow accountants.

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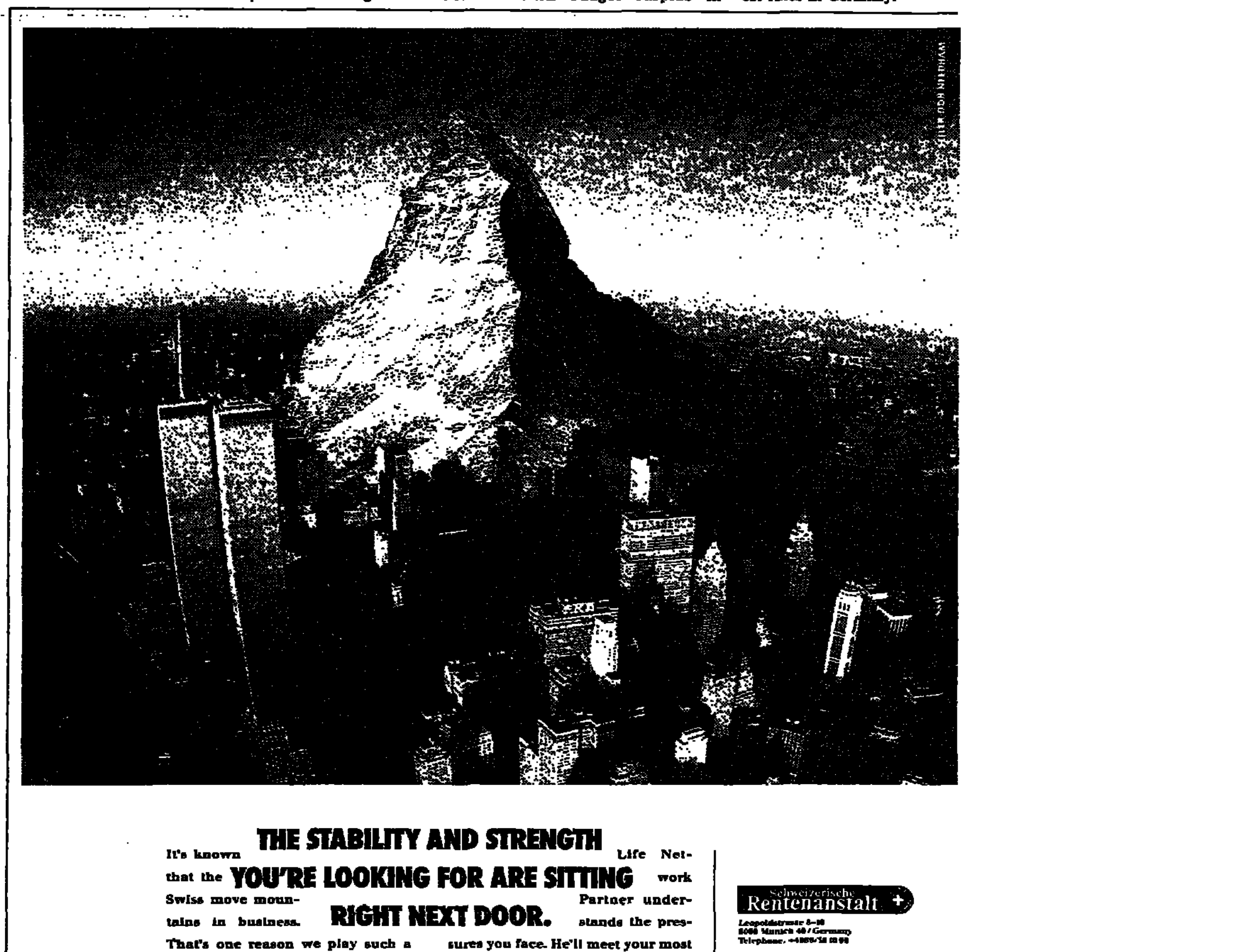


FINANCIAL TIMES
Monday March 9 1992

US president adds victory in South Carolina to his tally of primaries

Buchanan maintains threat to Bush

By George Graham in Columbia, South Carolina

PRESIDENT George Bush added another state to his tally of primaries with a convincing victory in South Carolina, but was again unable to quash completely the challenge of Mr Patrick Buchanan, his right-wing opponent.

Bush campaign managers said the president's 67 per cent of the Republican vote would be a springboard for tomorrow's Super Tuesday contest, when 11 states, seven in the South, ballot in presidential primaries or caucuses. "I believe this will send a strong signal to all the Super Tuesday states," Mr Bush told his supporters at the weekend.

In the race for the Democratic presidential nomination, Governor Bill Clinton of Arkansas received a boost from Saturday's voting, with an overwhelming victory in South Carolina. He also won in Wyoming.

Mr Buchanan's 26 per cent share of the Republican primary vote fell below the scores in New Hampshire and Georgia which enabled him to claim second place as victory.

But Buchanan campaigners still called the result another vote of no confidence for Mr Bush, who benefited from the all-out support of South Carolina's governor, Mr Carroll Campbell, and the state's entire Republican establishment. "In this state, 67 per cent, with this machine and governor, is a bad score for George Bush," said Mr Michael Graham, state co-ordinator for the Buchanan campaign.

Healthy argument: Democratic candidates Jerry Brown (left), Paul Tsongas (centre) and Bill Clinton answer questions during a Miami debate on medical care

Some Republicans deserted their party's primary to vote for former Massachusetts Senator Paul Tsongas in the Democratic ballot.

But Bush and Buchanan supporters agreed they had crushed the candidacy of Mr David Duke, the former Ku Klux Klan leader who came near winning the governorship of Louisiana last year. Mr Duke won 7 per cent of the Republican vote.

Mr Buchanan said he would not withdraw from the race despite suggestions from the Bush campaign that he should. "We will go to Michigan," he said "and make it the Georgia of the north" – a reference to his success in the southern state.

He indicated he would support Mr Bush in the presidential election if he failed to win the nomination. But not all Mr Buchanan's supporters feel the same way.

"I voted for George Bush in 1988 but he's turned out to be a wolf in sheep's clothing. If Buchanan doesn't get the Republican nomination I intend to vote for whatever candidate the Democrats run," said Mr Bill Otto, a broker in Columbia, the state capital.

Among the Democrats, Mr Clinton won more heavily than expected in South Carolina, with 63 per cent against 19 for Mr Tsongas, his closest challenger. "What we were aiming for was 50 per cent. This is about as good as you can do with someone running against you," said Mr Frank Holleman, state director of the Clinton campaign.

But Mr Clinton also won Wyoming's Democratic party caucuses, letting him claim he could win outside his home region of the South. Mr Tsongas won Arizona's primary with 34 per cent, compared with 29 per for Mr Clinton and 28 per cent for Mr Jerry Brown, former governor of California.

Senator Tom Harkin of Iowa won only 6 per cent in South Carolina, despite his last-minute attempt for black votes by campaigning with Mr Jesse Jackson.

Economics of a Democratic victory, Page 30

Hopes of cut in UK interest rates recede

By Peter Norman, Economics Correspondent, in London

THE CHANCES of a cut in interest rates to accompany the UK Budget, or follow shortly afterwards, have dwindled after last week's weakening of sterling and nervousness in the market for government gilt-edged securities.

Although a politically inspired rate cut cannot be ruled out – especially if the Budget is given an enthusiastic reception on financial markets – both the Treasury and Bank of England have advised Mr Norman Lamont, the UK chancellor of exchequer, against reducing rates this week.

The Bank of England has been trying for several weeks in its domestic money market operations to dissuade traders from expecting an imminent cut in bank base rates from the present 10.5 per cent level.

Some 10 days ago, the Treasury used the Treasury Bulletin to highlight the limited scope for rate cuts since the differential between official UK and German short term rates has fallen to 0.75 percentage points. Since then, sterling has weakened in the exchange rate mechanism of the European Monetary System and on Friday was at its EMS floor against the Spanish peseta. Sterling is now around the level where it will require Bank of England support in the ERM if it comes under selling pressure.

In a further sign of nervousness, prices for gilt-edged securities fell by as much as 2 points last week, reflecting investors' fears about the Conservative government's standing in the opinion polls and expectations that the Budget will see the announcement of a sharply higher public sector borrowing requirement.

Ministers have been warned that reducing the 0.75 per cent premium of UK bank base rates over the Bundesbank's 9.75 per cent Lombard emergency funding rate might not be sustainable during an election campaign.

Officials have pointed to the example of France which was unable to keep its rates at German levels in spite of a lower inflation rate than either Germany or the UK and more than five years of successfully maintaining its present ERM parity.

As late as last week, however, there were still strong expectations in the City of a rate cut. A poll of 22 banks and investment houses in the UK, carried out by MMS International, the business information group, on March 4, found that 71 per cent of respondents expected the next cut in base rates "just after the Budget".

UK interest rates were cut at Budget time for eight successive years in the 1980s. Last year – after two years without a Budget-week rate cut – Mr Lamont cut rates by a half percentage point after three days.

He will have to move quicker this week if he intends to cut rates. It is generally expected that Mr John Major, the prime minister, will launch the campaign for an April 9 general election on either Wednesday or Thursday, after which a rate cut would be highly unusual.

Election '92, Page 6
Samuel Brittan, Page 13

British industry faces gloomy choices

Charles Leadbeater discovers that few companies were prepared for a long recession

BRITISH industry has reached a critical point. "There is no sign of an end to the recession, no bright horizons. Our backs are right up against the wall. The only stuff we can take out now to cut costs is stuff that will really hurt."

That gloomy assessment of the choices facing industry, from Mr Fred Heaton, managing director of the bolting division of T&N, the engineering group, is echoed throughout British manufacturing. Most companies were prepared for a recession lasting about a year. Few had planned on a severe one lasting for much more.

Many manufacturers have come through the last year by shedding staff, squeezing working capital and dropping plans to renew their car fleets. It is a common refrain for chief executives to claim that they have not had to cut into the fabric of their businesses.

But the longer the recession continues the greater the risk that industry will suffer long-term damage. Now manufacturers face the prospect of cutting into the lifeblood of their businesses - from investment in training to major capital investment programmes to requip factories.

Few industrialists believe the recession will lift before the late autumn. Moreover there is a growing scepticism about official forecasts of when the recovery will finally arrive.

Most companies have already made deep cuts in their workforce. With those staff have gone central post rooms, large computer systems have been replaced by smaller ones, sales staff are driving cars with old plates and secretaries are averting their eyes from discoloured paintwork.

The claim that this recession has not inflicted a drastic toll upon industry is borne out at groups such as Benjamin Priest. Employment has been cut by about 30 per cent, yet the company claims major capital spending plans have not been cut back - yet.

Mr John Ainsworth, managing director, said: "In the last recession we had a number of companies which were never going to be profitable. That is not true this time. What we have left are varied and profitable businesses which are poised for the upturn. We are not carrying lame ducks."

Mr Colin Gaskell, managing director of the 600 Group, the engineering company, says it has managed to cut costs enough to allow continued investment in research and development and to break even despite a 50 per cent dip in new orders for machine tools.

Indeed some companies claim their spending upon innovation and training has become more important as companies find ways to raise productivity and open up markets without buoyant demand to help them.

Mr Tony Frith, chairman and chief executive of Concentric, the Birmingham-based speciality chemicals and electrical components maker, explained: "We have not cut back on engineering or training. We are spending more on training to make people more effective, to generate productivity gains in a recession your have to spend more on people."

Many companies also claim that innovation has become more important to them in the recession because the only way to maintain production volumes is to expand their share of a smaller market through offering more innovative products.

One of the most striking attempts by a company to sell its way out of recession has been deployed by W Canning, the speciality chemicals and electronics group, which has boosted spending on innovation to create environmentally friendly chemicals for use in waste disposal and transferred a large portion of its sales effort from the UK to export markets.

The export sales budget has been increased by 15 per cent and export volumes are up by 45 per cent in some markets.

Mr David Probert, chairman, explained: "In a recession our customers are more receptive to new ideas because they need new products to create sales much more than when demand is booming." We realised some time ago that the recession was going to go on so long that simply cutting costs would not work, we had to try to work our way out of it."

Groups such as Wagon Industrial, the Telford-based engineering and automotive group, are taking a different approach in an attempt to combine tighter cost control with innovation.

Mr John Hudson, chief executive, explained: "The growth of the 1980s will not be repeated. To earn decent profits we will have to do something more dramatic than simply allow ourselves to be pulled out from recession. So we have started a strategic review of our cost base, merging factories for instance, not just to see ourselves through the downturn but to make sure we can make good profits with the slower growth of the next few years."

There is an additional reason why the pace of innovation may not be slowing as expected. Many British companies, in the automotive industry for instance, are long-term sub-contractors to larger international groups which assemble vehicles. These customers set the pace of innovation their suppliers have to match if they want to remain as suppliers in an intensely competitive market.

Consumer goods groups such as Hoover, the washing machine manufacturer, claim they are maintaining investment despite a sustained fall in demand which has forced it to lay off hundreds of staff at its Welsh factories.

Mr Ian Kyd, Hoover's UK financial controller, commented : "We need to invest because, if we do not, we will be left behind. We have not changed our product development plans at all."

Most British manufacturers are responding to this recession with more vigour and confidence than the recession of a decade ago. Managers have a clearer sense of their priorities. But while the recession may not be cutting a swathe through British industry, the fabric is starting to get very frayed in places.

The mechanical engineering and metal working industries, which went into the recession with a weak record for profitability and investment, are seeing the closure of many small and medium-sized sub-contractors.

There are worries that industry has become so intent on surviving the depths of recession that it will fail the test of recovery. Mr Gaskell at the 600 Group said: "The risk is that there will be fewer companies at the end of this and we may not be able to respond quickly enough to growth when it comes because stocks are so low and factories are so lean."

Mr Tom O'Connor, deputy chairman of Elta Plastics, is concerned about the long-term damage which may have been done to industry's relations with banks.

Industry has come through the past year largely by taking the most obvious escape route: aggressively cutting costs. The next year could be even tougher.

The past is not what it used to be

By Anthony Harris

This year's budget prospect has inspired too many commentators to take a hike down memory lane. Memories or histories of the Bretton Woods system, of the last great debt deflation 60 years ago, of past electoral bribes that were taken or refused, or of rectitude rewarded or rebuffed, are mis-cited in support of every conceivable strategy, as the writers suppose. Every strategy, in fact, except the one or two which actually worked – but we will come to that later.

For example, here we are back with demand management, to the horror of the few remaining monetarists. That, as they explain, is what comes of operating in a fixed exchange rate system, where you lose monetary sovereignty. That is true as far as it goes, but then that is not very far. The similarity – that an exchange rate commitment tends to run your monetary policy – looks striking, but the differences are bigger.

For as start, a system of (possibly temporary) currency blocs is unlike the Bretton Woods system. That looked, while it lasted, more durable than the gold standard; exchange rate crises were quite rare and very well flagged. The ERM still looks tentative and the commitment to it a matter of political expediency. So there is a currency risk premium on interest rates, even – at the moment – in Germany.

A group, including the monetarists but also some Maudling nostalgics, wants us to escape the market constraints by leaving the ERM

The result is recession in most member states, most of the time. On the other hand, the old system depended for its stability on controls on capital movements, so the exchange markets were dominated by current account flows, and chancellors of the exchequer worried about little else.

Today, their main worry is the possible effect of any dash for freedom on financial market confidence. They have, in a sense, more freedom than their predecessors in the 1960s. They also have bigger temptations, given the deflationary club they have joined, and run bigger, more unpredictable risks. I doubt that hindsight about the hyper-responsibility of Mr Roy Jenkins or the irresponsibility of Mr Reginald Maudling proves anything except that the commentator is probably getting on a bit. My own guess would be that the markets will allow Mr Lamont considerably less freedom that the supposedly Draconian IMF would have done in the old days.

This is one reason why a growing group on the right, including the monetarists but also some Maudling nostalgics, wants us to escape the market constraints by leaving the ERM. But here there is a useful parallel in living memory; indeed a cautionary tale. Mr Anthony Barber thought he could get away with a huge monetary stimulus because Britain had left the ERM Mark I, known as the Snake. That was a devaluation greeted at the time as a dash for freedom. Those recommending just the same dash now ought to mention this health warning.

There is still one respectable-looking argument for recommending desperate remedies. That is the belief that we are not back in the irksome disciplines of Bretton Woods, but in the threatening depression of the 1930s. The story sounds a bit the same – a downward slide punctuated with optimistic forecasts, a stock market which fell in a series of small crashes separated by nostalgic bull phases and an economy riddled with debt. For example, Mr Peter Warburton has recently reminded us that private debt has tripled as a proportion of British GNP in the past four decades, to reach a level only exceeded – and that but briefly – in the early 1930s. It all looks very telling, unless you remember what the 1930s were actually like.

That was the time when cash was king, so that you could pick up Chippendale chairs for what would be, say, £20 in today's money. It was a time when willing borrowers were so hard to find that the government could get away with refinancing the National Debt at half the then going long rate because investors had nowhere else to turn. It was also the period when the Bank of England adopted an official anti-competition policy, godparenting the formation of cartels and of groupings such as ICI simply to preserve some sort of corporate sector.

It is not wholly impossible we are heading back to such an era; that, after all, is the Rees-Mogg thesis. But if we are, it is clear we still have a very long way to go. Meanwhile the rapidly strengthening recovery in the US economy, despite fiscal paralysis, a discredited president and deepening recession in most trading partners, suggests spontaneous recovery is still possible from today's debt burden. This burden was, you should remember, built up over years, and mainly to finance consumption and investment, rather than in a brief speculative orgy. All it takes is a sensible cut in interest rates.

Could we do as well here? Inside the ERM, it depends partly on the German sense of timing, but not entirely. Our own Treasury seems to have learned too much from the false parallel with Bretton Woods and been too timorous about interest rates. Bigger cuts might certainly have scared off some bank funds. Remember the Gnomes of Zurich? Not if you are young enough to trade these days, but the memory seems to be alive and nightmarish in Great George Street. What has

So what advice is there for Mr Lamont? The situation suggests the oldest and usually the best advice – make a confident speech, and sit down

changed from the past is that a cut big enough to help the economy would certainly have boosted the stock market, and so attracted longer-term funds. That is why the dollar has been rising ever since it became clear that the Fed's rate cuts were working.

So what advice is there for Mr Lamont? The situation suggests the oldest and usually the best advice – make a confident speech, and sit down. Unfortunately, he has devalued confident speeches. He might be tempted by the example of the 1930s to do what worked for Britain then and the US this time, and devalue, but the Barber memory is too recent. Or he could do a Roosevelt, and pay for high public investment from higher taxes. But that sounds like Labour. How nice not to be Mr Lamont.

N America free trade

Continued from page 1

conference call next Monday to discuss the Nafta talks.

Some of the most intractable issues are not directly related to trade, including Mexican immigration to the US, Mexico's energy, environment and labour laws, and Canadian concerns about automotive investment.

Mr Mulroney said that Canada remained committed to the Nafta to protect the gains it made in the bilateral FTA and to ensure that it would be included in any future moves towards a western hemisphere free trade zone.

He added that the US and Canada have an obligation to encourage economic development in countries like Mexico.

Suspicion over Syria-Iran defence links

Continued from Page 1

A Bush administration official, however, was quoted as saying that in spite of the fact that US naval vessels had no authority to seize the weapons, their discovery would provide "public proof that Syria and Iran were getting long-range missiles".

The North Korean Scud-Cs, believed to be on the way to Syria, are a more accurate version of the Scud-Bs Iraq lobbed into Israel and Saudi Arabia during the Gulf crisis.

Syria's attempts to secure shipments of the North Korean missiles, which have a range extending for about 600 kilometres, coincide with signs of a vigorous renewed Middle East arms race, with various states seeking to boost their military capabilities contrary to disarmament trends elsewhere.

Iran, the Gulf states and Syria have been at the forefront of these efforts. The US has also been meeting Israeli requests for additional, and more sophisticated weaponry, especially items to boost its air defences against the threat of attacks.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	15	59
Algiers	C	13	55
Amsterdam	C	10	50
Athens	C	11	52
Bahrain	C	18	64
Bangkok	F	34	93
Barcelona	F	15	59
Beijing	S	13	55
Beirut	F	11	52
Belfast	S	7	45
Belgrade	S	11	52
Berlin	S	9	48
Biarritz	C	12	54
Bombay	S	29	84
Bordeaux	F	12	54
Boulogne	C	9	48
Brussels	C	10	50
Budapest	S	9	48
Buenos Aires	F	31	88
Cairo	S	20	68
Cape Town	S	24	75
Caracas	F	28	82
Casablanca	S	19	66
Chicago		-	-
Cologne	S	12	54
Copenhagen	Fg	5	41
Corfu	R	8	46
Dallas		-	-
Dublin	S	8	46
Dubrovnik		-	-
Edinburgh	S	8	46
Faro	S	19	66
Florence	S	15	59
Frankfurt	S	10	50
Geneva	S	11	52
Gibraltar	S	17	63
Glasgow	S	9	48
Helsinki	C	4	39
Hong Kong	F	13	55
Innsbruck	S	12	54
Inverness	S	8	46
Islamabad	F	24	75
Istanbul	F	7	45
Jakarta	R	30	86
Jersey	S	9	48
Johannesburg	S	27	81
Lima	F	28	82
Lisbon	S	17	63
London	C	9	48
Los Angeles		-	-
Luxembourg	C	10	50
Madeira	S	18	64
Madrid	S	17	63
Majorca	F	15	59
Malaga	S	13	55
Malta	F	15	59
Manchester	F	7	45
Manila	F	33	91
Melbourne	S	21	70
Mexico City	F	30	86
Miami		-	-
Milan	S	12	54
Montreal		-	-
Moscow	C	-1	30
Munich	S	7	45
Nairobi		-	-
Naples	F	14	57
Nassau	F	29	84
New Delhi	S	24	75
New York		-	-
Nice	F	13	55
Nicosia	F	9	48
Oporto	S	14	57
Oslo	C	4	39
Paris	C	10	50
Prague	S	9	48
Reykjavik	R	7	45
Rhodes	S	13	55
Rio de Janeiro	C	36	[illegible]
Rome	F	17	63
Salzburg	S	8	46
San Francisco		-	-
Seoul	S	9	48
Singapore	F	28	82
Stockholm	S	8	46
Strasbourg	S	13	55
Sydney	C	23	73
Taipei	C	18	64
Tangier	S	19	66
Tel Aviv	S	14	57
Tenerife	S	21	70
Tokyo	S	12	54
Toronto		-	-
Tunis	F	15	59
Valencia	F	17	63
Venice	S	12	54
Vienna	S	8	46
Warsaw	C	7	45
Washington		-	-
Zurich	S	11	52

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Monday March 9 1992

INSIDE

New twist in Parretti battle for MGM-Pathe

Mr Giancarlo Parretti, the controversial Italian financier, claimed yesterday he had scored a court victory in Rome in his long-running battle with Crédit Lyonnais, the French state bank, for control of MGM-Pathe, the financially crippled Hollywood studio. Page 17

ACT gets the thumbs down

Advance Corporation Tax is central to UK corporate taxation. Mostly, it works smoothly, and there are few complaints. But for companies with big overseas operations, it is a nagging worry and some of Britain's biggest companies are hoping this week's Budget will end what they see as an unfair tax penalty for internationally minded firms. Page 16

Political jitters hit UK gilts

Something had to give – and it did. After two months of highly respectable price rises, the UK gilt market last week went into reverse on fears about a poor showing for the Conservative Party in the general election and a big rise in the public sector borrowing requirement (PSBP) in the next two years. Page 18

Airlines alter funding course

Boeing, the world's largest manufacturer of commercial aircraft, predicts airlines will turn to international capital markets to raise funds as traditional sources dry up. And international bankers expect a shift from bank loans and leases as airlines switch to the bond markets and more innovative financing. Page 19

Fears over equity-linked bonds

Big sums of equity-linked bonds launched in the international market in the late 1980s fall due for redemption this year and next. Normally the debt would be refinanced with new equity-linked bond issues. However, many issuers never expected to redeem the bonds, and the appetite of international investors for equity-linked paper is much less than when the bonds were issued. Page 19

Eurobond clearing houses agree

Cedel and Euroclear, the two Eurobond clearing houses, have agreed to exchange clearing information ending two years of dispute. The new "bridge" system, to come into force in October, will save about $30m a year and increase efficiency. Page 19

Market Statistics

Companies in this issue

Many fund managers see hung parliament

By Terry Byland in London

UK FUND managers remain convinced the Conservatives will emerge as the strongest single party in the UK House of Commons after the general election, although a significant number now foresee a hung parliament, according to the latest survey by Smith New Court, the UK securities house, and the Gallup polling organisation.

Managers are optimistic about domestic interest rates and inflation but slightly less bullish on UK equities than when last polled. A balance of 30 per cent of managers intend to reduce holdings in US equities, seen in London as over-valued at current levels on the Dow Jones Industrial Average.

For this week's budget speech from Mr Norman Lamont, the UK chancellor of the exchequer, the 101 institutions surveyed, which handle funds worth £523bn ($920bn), are in broad agreement. An overall net tax reduction of around £3bn, including a 1p cut in basic rate income tax, accords with the general view in the City of London.

However, many managers reiterated alarm signalled last week in the bond and currency markets over the outlook for the Public Sector Borrowing Requirement (PSBR). The consensus is that the chancellor will on Tuesday announce a PSBR of £23bn for 1992-1993. But 5 per cent of those surveyed fear a PSBR estimate of £30bn or more.

Increasing concern over the outlook for US equities displayed in the survey was counterbalanced by enthusiasm towards continental European equity markets where 38 per cent of managers plan to increase their holdings. While opinions on UK equities remained positive, the net 10 per cent of managers taking the bullish view had fallen from a net 17 per cent in January.

On longer-term prospects, 75 per cent of the survey was bullish on the outlook for UK market over the next 12 months, while for Japan, the balance on the positive side was 73 per cent and for Europe 49 per cent. A balance of 2 per cent is bearish for the US equity markets for the year ahead.

UK optimism is based on expectations that the economic background will improve this year. Managers believe that in 12 months base rates will be down to 9.2 per cent from the present 10.5 per cent, while yields on 15-year high coupon government bonds will have fallen to 8.9 per cent.

Daniel Green on the merger of Apollo and Galileo

Airline ticket shops bridge the Atlantic

Airline industry mergers are possible after all. Just one week after talks between British Airways and KLM, the Dutch airline, collapsed, two of the world's biggest computerised reservation systems, Apollo of the US and UK-based Galileo, announced they are to merge.

The trend towards global air transport provoked the 11 airlines that owned both systems to bury their differences to create a new $1.5bn company.

Although five of the 11 - BA, KLM, United Airlines, Swissair and Alitalia – held stakes in Galileo and Apollo, the deal is the first big merger in a business where most participants are state-owned and jealously guard their independence.

Each of the world's handful of computer reservation systems (CRSs) carries information on hundreds of airlines. Travel agents can search for the cheapest fares, or ask for specific departure times or the fewest stops. Bookings can then be made and tickets issued.

Passengers increasingly want to book flights anywhere in the world from their home countries. Business travellers need complex itineraries in advance and may want to change them during the trip. A CRS needs to be available in travel agencies around the world to serve these markets.

CRSs do more than just sell tickets. Agents can use them to arrange car rental or rail tickets and cabins on cruise liners. Mostly they book passengers into hotels, some of which are owned by the airlines.

Such is the lure of world domination, that even the biggest CRS, Sabre, owned by American Airlines, has sought in vain to merge with one of the two large European rivals, Amadeus, owned by Lufthansa of Germany, Iberia of Spain and Air France.

Apollo is the second biggest and Galileo is the other European CRS. Their merger is not as dramatic as if airlines themselves had merged. But the driving force that created Galileo International – globalisation of the industry – has also pushed carriers on both sides of the Atlantic to take stakes in each other and hold unsuccessful merger talks.

Perhaps most importantly, airline involvement in a CRS could allow them to make more money from each aircraft seat. The airlines call it inventory control. Almost 30 different fares are sold on each transatlantic Boeing 747. Airlines struggle daily to cut prices enough to sell seats but keep them high enough to make money. They must be prepared to switch wide-bodied jets quickly to new routes if demand rises and decide when to offer upgrades.

"Airlines can maximise their revenue streams by inventory control. It's indispensable," says Mr Kevin Murphy, an airline analyst with Morgan Stanley in New York.

The dividing line between success and failure is fine. American Airlines, one of the top two in the US, says that one extra passenger on every flight would add $114m to revenues and almost that much to profits. Last year was one of the worst years in its, and the industry's, history. American was about two passengers a flight short of profitability.

"The CRS is the way into controlling passenger flows and will become more important with passenger growth," says Mr Richard Allen, airlines analyst with UBS Phillips & Drew in London.

Such control is not cheap. Amadeus has spent $3bn establishing itself, much of it on software.

Sabre, the biggest CRS and owned by American Airlines, takes bookings for 1.6m flights daily and deals with 20 times that many enquiries on 740 airlines.

The rewards can be high. Sabre's turnover was about $550m last year in spite of the Gulf War and recession-induced slump in air traffic. Sabre has a bigger turnover than American Airlines' entire cargo operation. In spite of its size, Sabre attempted a merger last year with Amadeus. The plan foundered in October largely because the computers were incompatible.

Amadeus is talking to Worldspan and System One, the third and fourth biggest US CRSs. "We hope to make an announcement on technical links with Amadeus within weeks," says Mr Roy Burnham, Worldspan's European managing director.

Mr John Pope, chairman of the consortium that runs Apollo and a vice-chairman of United Airlines, said the deal cemented and formalised the relationship with Galileo.

The two groups faced few technical problems. Galileo had licenced its software from Apollo, and they have set up task forces to examine ways to cut costs.

Mr Pieter Bouw, president of Galileo and chairman of KLM, the Dutch airline, says most savings will come from staff cuts among about 500 data-processing staff in Swindon, headquarters of the pre-merger Galileo. The computer centre for Galileo International will be in Denver, Colorado. In return, the European airlines in Galileo International can appoint the first chairman of the group.

Mr Bouw refuses to commit himself over whether lower costs mean falling booking fees. And he struggles to identify any tangible benefits to passengers.

The savings will probably end up on the bottom line of the airline industry and add to the reputation of CRSs as money-making machines. Airline chief executives would rather sell their airlines than lose their reservation systems, runs an after-dinner joke in the industry.

Yet sell their reservation systems is what they may be asked to do. The US Department of Transport is scheduled to reexamine CRS industry rules before the summer. It is worried about the potential advantages ownership of a CRS gives. CRS owners will be able to control inventories better; new airlines will face higher barriers in an already capital-intensive business.

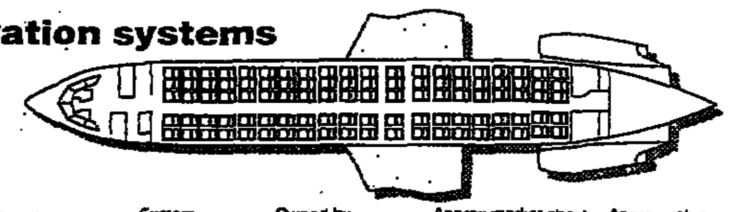
Top of the list for criticism is Sabre because it is owned by a single airline. American Airlines insists Sabre does not promote its own tickets. Other CRS owners are equally adamant their technology has no favourites. But that will not make the critics go away, and pressures to float off CRSs as independent corporations are likely to grow.

One response is further mergers. Diluting the ownership among greater numbers of airlines could deflect criticism.

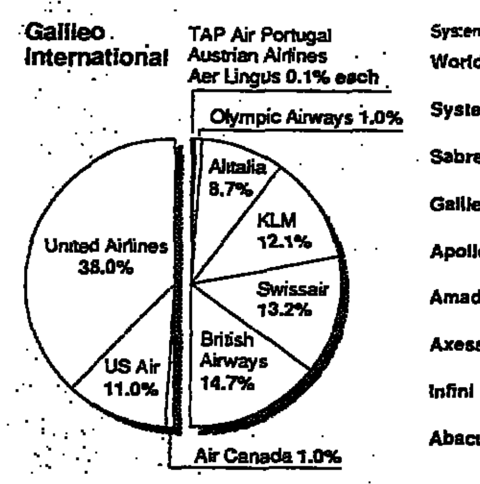
But the bigger prize to be won through consolidation is raising the value of the system. CRSs executives give few clues as to the worth of networks. But by taking the value of Apollo as $1bn in 1988, when a half share was sold by United Airlines, taking into account traffic growth since then and the systems' estimates of their market shares, Sabre alone could be worth at least $1.5bn.

The recent history of the airline industry is littered with failed attempts to create international mergers. CRS collaboration may yet provide a model for the world's airlines to join forces to offer one-stop shopping for the aircraft as well as the tickets.

Airline reservation systems



Galileo International



System	Owned by	Approx market share	Approx value
Worldspan	TWA/Delta/Abacus	5%-10% of Europe/ 10% of US	$500m
System One	Continental/EDS	5%-10% of Europe/ 10% of US	$500m
Sabre	American Airlines	5%-10% of Europe/ 44% of US	$1.5bn-$2bn
Galileo	11 US/European airlines	40% of Europe	$400m
Apollo	11 US/European airlines	30% of US	$1.1bn+
Amadeus	Lufthansa/Air France/ Iberia	50%-65% of Europe/ 5%-10% of US	$600m+
Axess	Japan Airlines	60% of Japan	$1bn+
Infini	All Nippon Airlines Abacus	30% of Japan	$500m
Abacus	Five Asian airlines/ Worldspan		up to $650m

Election win 'will spark UK share rise'

By Richard Gourlay in London

THE UK stock market would rise from current levels by the year-end whether Labour or the Conservative party formed the next government, according to research from stockbrokers James Capel.

However, the report says a hung parliament would leave the FT-SE 100 index around the 2,400 level because of the ensuing political and economic uncertainty.

Initially, the report suggests, a Labour victory would be greeted by a 10 per cent sell-off while a Conservative win would trigger a similar rise.

However, by the year-end the FT-SE would have risen to about 2,750 after a Labour win, only 250 below the level it would attain if the Conservatives were returned.

The research, based on replies from 105 of the largest companies in the FTA All-Share Index, throws up a strikingly different view of the likely election outcome from recent opinion polls.

More than half the respondents said they thought the Conservatives would be returned, 32 per cent forecast a hung Parliament and only 6 per cent expected Labour to form the next government.

An overwhelming 86 per cent of respondents believed that a Labour victory would be bad for the economy. However, only 63 per cent believed a Labour victory would be bad for their own businesses.

Altogether 79 per cent of respondents said a Labour government should not devalue sterling within the ERM but more than half believed it would do exactly that.

Sectors likely to suffer if Labour is returned would be:

- The conglomerates, where stricter regulation of acquisitions is expected;
- Consumer stocks, which would be hit by higher levels of personal taxation;
- Housing, in spite of higher spending on public projects;
- Labour-intensive businesses, as wages would rise due to adoption of the Social Charter;
- Regulated utilities.

While the Labour Party's attempts to woo supporters in the City might have won over some people, the James Capel survey shows corporate boards remain wary.

More than two thirds said they would not invest more if Labour persisted with plans to introduce tax incentives to encourage investment spending. And 59 per cent believed Labour was planning dividend controls.

The road to EMU develops some potholes

Economics Notebook

By David Marsh

SHAKESPEARE asked: "What's in a name?" The question on the lips of Europe's central bankers is "What's in a clause?"

The argument about central banking independence is crucial to the political jousting over European Monetary Union (EMU). Parliaments around Europe are being called on to ratify the treaty for EMU agreed last December at Maastricht. The small print will be keenly scrutinised.

There are strong indications from the German Bundesbank and the Bundestag (lower house of parliament) that treaty language on EMU which might have seemed acceptable three months ago now looks less than adequate to settle German qualms about giving up the D-mark.

The pivotal component of EMU, set to take place at the latest by 1999 according to the Maastricht timetable, would be an "independent" European central bank (ECB) running the future single European currency.

At the insistence of the Germans, heads of government at Maastricht agreed a statute for the mooted ECB assuring that the bank should not take "instructions" from governments.

Indeed, the statute goes further than the 1957 Bundesbank Law in assuring the prime goal of price stability. The law governing the Bundesbank talks more vaguely of "safeguarding the currency" – a concept which was first introduced into the Reichsbank Law in 1939, and interpreted for most of the first 20 years of the Bundesbank's existence as establishing exchange rate stability as the priority.

Mr Hans Tietmeyer, vice-president of the Bundesbank, is a great believer in EMU – but on Germany's terms. He is one of the leading figures in Germany challenging the assumption that clauses in central bank statutes, by themselves, are enough to guarantee a low inflation rate.

For Mr Tietmeyer, the general economic and political environment in which a central bank operates is the most crucial factor in determining whether it will carry out its job properly.

"It will be of great importance," said Mr Tietmeyer in mid-January, "if and to what extent the future European central bank succeeds in winning an independent profile linked to price stability. In contrast to German monetary union [when the Bundesbank in 1990 took over control of the East German currency area] the institution which takes over responsibility [in Europe] will not be one with a well-established track record.

"It will be a question of setting up a new supranational institution which can rely neither on its own tradition of stability orientated policies, nor on support in public opinion comparable to the situation in post-war Germany."

Mr Tietmeyer's speech is in line with the general German mood of questioning over Maastricht now emerging into the public spotlight.

Mr Wilhelm Nölling, the mercurial Social Democrat president of the Hamburg central bank and one of the most outspoken members of the Bundesbank's policy-making council, went further in a powerful Maastricht critique published at the end of last month.

Even though the EMU treaty "fully" took over German ideas on the independence of the ECB, Mr Nölling warned against "overestimating" the role of the future European central bank.

The trust of German public opinion in the Bundesbank had been built up over years. It could not be automatically transferred to the ECB.

The debate about central banking independence is all the more piquant because most independent central banks are not doing well in the fight against inflation.

The Japanese and French central banks, more beholden to governments than the German and Swiss ones, are chalking up better "stability" performances than the Bundesbank and the Swiss National Bank. Even Britain records a similar inflation rate to Germany's 4 per cent.

Germany's lagging in the inflation stakes has, of course, been keenly registered by the Bundesbank. But, rather than making the denizens of the D-mark doubt the value of their own approach to monetary affairs, Germany's slippage in the stability stakes is prompting the Bundesbank to redouble its anti-inflationary efforts.

The rise in German inflation, the Bundesbank argues, illustrates that central banking independence alone is not sufficient to bring down inflation. But it also emphasises the negative effects which an outside event – in this case, German reunification – can bring to bear on economic stability.

Thus, according to the Bundesbank, it underlines the need for a truly independent central banking body to adopt strict policies to correct these tendencies.

The Bundesbank is using every opportunity to stress that German interest rates will remain high until inflation shows persuasive signs of coming down to its medium-term 2 per cent goal. German, and European, monetary policy is thus in for a rough ride.

A continuation of German monetary tightness for the next year, combined with only partial Bundestag ratification of the Maastricht treaty this summer, could deal a fatal blow to the EMU process.

If, on the other hand, the Bundesbank does succeed, against all the odds, in quickly correcting the increase in inflation during the next 12 months, and thus allows German interest rates to fall significantly before long, EMU backers will also have no reason to rejoice.

In that case, the German central bank will win back its "stability-first" laurels – and the German government will be even less enthusiastic about seeing it replaced by an ECB at the end of the decade.

Either way, the journey to EMU looks fraught with more risks than were apparent three months ago. Germany holds the key to whether the threatened road blocks can be removed.

CENTRAL BANKS in descending order of independence

	Inflation rate %
Sweden	5.3 (Jan)
Germany	4.0 (Jan)
Switzerland	4.6 (Feb)
Netherlands	4.1 (Jan)
US	2.6 (Jan)
Japan	2.2 (Feb)
Britain	4.2 (Jan)
France	2.9 (Jan)
Italy	5.3 (Feb)

Sansui in deal to swap equity for loans

By Simon Holberton in Hong Kong

TWO companies linked with Macao casino magnate Mr Stanley Ho are to increase their shareholding in Sansui, the troubled Japanese consumer electronics group owned by Polly Peck International, the failed conglomerate of Mr Asil Nadir.

However, the two companies, Grande Holdings and Semi-Tech (Global), have dissolved an arrangement under which they would have jointly acquired an interest in Sansui. Instead, they will hold their stakes separately.

The two companies said the cancelling of their previous agreement would provide them with greater flexibility in monitoring their interest in Sansui and better suit their respective business strategies.

The new arrangement means Semi-Tech will acquire between 19 per cent and 21 per cent of Sansui in return for a loan to the company of US$30m.

Grande has undertaken to provide a loan of US$50m as a requirement of the purchase of its 32 per cent.

Collectively, the two companies will increase their interest in Sansui from 32 per cent to more than 50 per cent.

The amount of equity they will own depends on the outcome of a plan by Polly Peck's administrator to sell a 49.1 per cent interest in Sansui's Italian subsidiary, the Imperial Group.

Sansui recently reported unconsolidated losses after tax for the year to December 31 1991 of Y11.3bn ($86.9m) and net extraordinary losses of Y61.9bn.

Bank may have left SE in dark over Blue Arrow

By Richard Gourlay

THE BANK of England may have withheld crucial information about County NatWest's role in the failed Blue Arrow rights issue from Stock Exchange officials in late 1987, according to Mr Robert Wilkinson, a former stock exchange director of surveillance.

Mr Wilkinson's remarks, in a Channel Four programme by Fulcrum Productions, will fuel debate about the Bank's duel roles of promoting and policing the City.

The programme, due to be screened on Thursday, suggests that the Bank left the Stock Exchange in the dark about County NatWest's holding of Blue Arrow shares after shareholders only took up their rights to 38 per cent of the shares on offer.

Four City financial advisers were last month convicted of conspiracy to defraud over their handling of the £837m rights issue for the employment agency. After the offer closed County NatWest and other institutions bought extra shares to make it appear that the issue had been less undersubscribed.

When the stock market crashed in 1987, Stock Exchange officials were aware that County had a large exposure to a big listed company. The Bank had already been told County was looking at a £43m loss on this interest.

But the Bank would not reveal to Mr Wilkinson the identity of the company in which County had its large stake. This was, according to Mr Wilkinson, "for reasons of banking secrecy".

County had told the Bank that it had taken on the unwanted Blue Arrow shares the day after the rights issue flopped on 28 September 1987, according to the programme.

Conspiracy charges are outstanding against four other individuals involved in the rights issue. The SFO is expected to announce shortly whether it will proceed with a second Blue Arrow trial.

Restructuring leaves Yeoman with I£137m loss

By Terry Byland

CLF YEOMAN, the Dublin-based asset finance company, returned profits of I£7.28m (£6.8m) pre-tax for the 18 months to end-August 1991. That compared with profits of I£8.46m for the year to February 28 1990.

A tax charge of I£18.71m (credits I£2.38m) and restructuring charges of I£125.55m, which were taken below the line as extraordianry items, left the company I£137m in loss for the 18 months.

Along with the results the company gave further details of the sale of CLF Holdings, its troubled UK ticket leasing subsidiary. The offshoot was disposed of "for a nominal amount" as part of a planned restructuring of the CLF Yeoman group which the board proposes should be renamed Yeoman International.

Yeoman is involved in litigation arising from the acquisition of CLF but has reached agreement with its syndicate banks on the chief points involved in restructuring the £39m debt which helped fund the purchase of CLF.

A plea that could put an end to an 'unfair tax'

Peter Martin on a nagging worry for companies with an international flavour

SOMEWHERE in the Chancellor's in-tray is a heartfelt plea from some of Britain's biggest companies that tomorrow's Budget will end what they see as an unfair tax penalty for internationally minded firms.

Advance Corporation Tax is a central part of UK corporate taxation. For the most part, it works smoothly – and there are few complaints. But for those companies with big overseas operations, it is a nagging worry.

Aggrieved finance directors say it is starting to affect the way companies run their businesses, driving them into moving research and development centres abroad, or making UK acquisitions they would otherwise not have considered.

The problem starts with a highly desirable feature of the UK tax system – shareholders are taxed only once on income from investments. Before distributing dividends, companies deduct ACT from them and pay it to the Inland Revenue. For basic rate taxpayers, dividends are then tax-free.

When the time comes for the company to settle its corporation tax bill, it deducts the ACT it has already paid.

For most companies, the system works perfectly: ACT is paid on dividends, then deducted from mainstream corporation tax so that the income that flows through to taxpayers is taxed only once.

One side effect of the system is that for any company that pays no mainstream corporation tax but still pays dividends, ACT acts as a sort of minimum tax. No bad thing, thought parliament at the time.

Since then, this occasional development has become much more common. For three reasons:

- UK dividends have risen faster than profits in recent years. Industrial companies paid out over half their earnings as dividends in 1991. A higher dividend payment raises the relative importance of ACT *vis-à-vis* mainstream corporation tax, setting the "minimum tax", if payable, at a higher level.
- Big British companies have become increasingly international, deriving ever-larger proportions of profits from abroad. The recession, which has hurt UK operations disproportionately badly, has further increased this effect.
- Corporation tax rates have been cut sharply, to levels below those of most other countries. This is a good thing – but it means overseas taxes reclaimable against UK tax bills may well wipe out all of a company's liability for mainstream corporation tax, leaving them with nothing to claim back ACT against.

So ACT acts as a minimum tax on dividends, on top of those overseas taxes they cannot reclaim.

Tax charges for big UK companies have been rising sharply as a result. GKN, which recently reported, paid 43 per cent of its profits in tax – up from 35 per cent the year before; the effective tax rates for other big motor component-makers could be as high as 70 per cent, analysts say.

A recent study commissioned by the 100 Group of big-company finance directors estimated that each year UK companies pay £400m a year in "surplus" ACT – tax which cannot be reclaimed against mainstream corporation tax. That may even be an underestimate, according to government sources.

One obvious solution is for companies to reduce their dividends – but they say that this is simply unrealistic.

"For us to reduce dividend payments there would have to be a significant change of heart by institutional investors," says Mr Roger Wood, group finance director of Wimpey.

Instead, they find other palliatives. One such – made possible by the transatlantic merger that formed SmithKline Beecham – is to have two types of equity so that overseas shareholders, at least, escape the ACT burden.

Another is to move costs abroad. Finance directors point to Pilkington's recent move abroad of research and administrative offices for its glass operations as a decision in which ACT considerations played a role.

A third solution might be to invest in the UK rather than abroad. That might damage the business in the long term, however. "We are world leaders in constant-velocity joints," says Brian Walsh, GKN's finance director. "Our customers are world companies. They want to have their suppliers at their elbow. Given that, there is no way we can just be a UK manufacturer."

So finance directors lobby the Treasury. They would like small adjustments to the impact of ACT in the short term. In the longer term, they want bigger reforms. Suggestions include a new ACT-free "international holding company" status for those businesses that work mostly overseas.

Another idea is a liberalised market in surplus ACT so that companies with lots of it could sell it on, at a discount, to companies with remaining mainstream corporation tax against which to offset it. A third thought is to make ACT offsetable against all taxes – including those overseas.

The taxman is not sympathetic. One result of lower UK taxes is to make investing in the UK more attractive: the ACT effect is just one way in which that process takes place.

Is a system that subtly biases UK companies towards domestic investment necessarily a bad thing? Would companies really prefer to solve the ACT problem by moving back to a system where dividend income was taxed twice, as in the US? And why should UK taxpayers compensate shareholders of a small group of UK companies for the tax rates set by foreign governments?

Still, with the plight of UK companies much in evidence this year, finance directors have not lost hope. They would like a short-term easing of the system; they would settle for a promise of a longer term review of the issue.

Because the problem is so complex, however, and affects such a relatively small number of companies, they may get neither.

Cadbury SA expands by 33.5%

By Philip Gawith in Johannesburg.

CADBURY Schweppes South Africa, part of the UK confectionery, food and soft drinks group, reported a 33.5 per cent increase in earnings in 1991 despite the poor performance of the national economy.

Turnover rose 13.4 per cent to R610m, while operating profit went up by 28.6 per cent to R60.6m.

Attributable income was higher at R46.8m (R35.1m).

Mr Peter Bester, managing director, said that there was a marginal fall in sales volumes, but benefits from rationalisation and integration of Chapelat-Humphries, the sugar confectionery business acquired in 1989, and improved internal efficiencies and a better product mix had contributed to the improved operating performance.

The remaining 17.5 per cent minority holding in Chapelat was bought for R19.4m, effective April 1992.

Benefits from the Chapelat-Humphries acquisition allowed Cadbury's to record considerably higher operating profits despite difficult trading conditions and some labour difficulties.

Heavy provisions cut Britannia profit to £64m

By David Barchard

BAD LOANS forced Britannia, the tenth largest building society, to make the heaviest provisions in its history against possible losses during 1991.

Provisions were up from £7.3m in 1990 to £33.7m last year, driving the society's pre-tax profits down by 13 per cent from £73.6m to £64m.

Total group assets rose by 15 per cent in 1991 to £8.5bn (£7.42bn).

Britannia's savings business rose by 21.6 per cent during the year to £834.9m compared with £686.5m and the society's assets grew by a further £175.4m as a result of its merger with the Mornington Building Society.

During August, the society temporarily withdrew from the commercial mortgage market.

Before provisions, Britannia's profits were up by 20.7 per cent and Mr Michael Shaw, managing director, said that it had made significant progress in a severely depressed market, and improved its market share on both sides of its business.

Britannia Life, the small life assurance and investment company which Britannia bought and demutualised two years ago, was said to have returned excellent results and made a better contribution to profits.

In August 1991, it bought Crusader Insurance and increased its funds under management to £1.2bn.

Pacific Assets

Net asset value of the Pacific Assets Trust at January 31 1992 was 258.31p basic per share against 186.83p, or 232.76p diluted up from 172.71p.

Net profit for the year was £329,000 (£478,000) for earnings per share of 1.7p (2.55p). There is a single final dividend of 1p, against 1.875p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Fleming Merc ....fin	1.9	May 5	4.15	6.7	6.4
Latin Amer IT ....fin	0.5★	May 7	nil	0.5	nil
TV-am ....fin	10☆	May 8	10	14	14

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ★US cents. ☆For 11 months.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Alcatel-Alsthom (France)	Alcatel (US/France)	Telecoms	£2bn	ITT sells last 30%
Calcestruzzi (Italy)	Heracles General Cement	Cement	£330m	Only firm bid
AT&T (US)	Dataid (France)	Prof Services	£48m	Friendly public offer
Meggitt (UK)	Endevco Corp (US)	Electronic components	£32m	Buy from Allied Signal
IVAX Corp (US)	Unit of Smith & Nephew (UK)	Pharmaceuticals	£11m	Needs ok from regulators
Intrum Justitia (UK)	Eureco (France)	Debt Collecting	£6m	Creating Europe wide business
Powell Duffryn (UK)	Peabody Engineering Corp	Engineering	£4.5m	Cash deal
Sega Enterprises (Japan)	WDK (France)	Computer services	£1m	European market move
Unigro (Holland)	Grelar Asturias (Spain)	Retailing	n/a	Unigro's 3rd Spanish buy
ABN Amro (Holland)	CME (Spain)	Stockbroking	n/a	ABN taking 90%

Source: FT Mergers + Acquisitions International

GREECE FUND LIMITED
International Depositary Receipts
evidencing 100 shares of usd 0.01 each

Following the Annual General Meeting held on 14 November 1991, the Board announced that it continued to regret that shareholders were unable, through the stock market, to realise the full benefits of the company's investment performance as a result of the discount to the underlying net asset value. The Board confirmed that it would continue to review regularly the practicality of submitting proposals to shareholders to address these concerns.

At a meeting held earlier today, the Board considered a number of alternatives and resolved, in the absence of unforeseen circumstances, to put proposals to shareholders within the next three months.

INTERIM RESULTS

The Directors of Greece Fund Limited announce the unaudited results for the six months ended 31 December 1991.

	Six Months Ended 31 December 1991 US$ 000	Six Months Ended 31 December 1990 US$ 000
Dividends & interest from investments	1,845	2,002
Deposit interest	147	177
Total Revenue	1,992	2,179
Expenses and interest	746	886
Revenue before taxation	1,246	1,293
Taxation on the revenue	777	850
Net revenue after taxation	469	443
Earnings per share (note 1)	23.36 cents	22.07 cents

NOTES
1. Earnings per share are based on earnings of $469,000 and on 2,007,600 shares in issue (30 June 1991 : 2,007,600). Fully diluted earnings per share on the basis of the exercise of the warrants in issue are higher than the stated earnings.

	At 31 December 1991 US$ 000	At 31 December 1990 US$ 000
Assets applicable to ordinary capital	46,260	62,801
Net asset value per $0.01 share	$23.04	$31.28
Diluted net Asset value per share (assuming conversion of warrants)	$20.91	$27.80

In accordance with the intention expressed in the Placing Memorandum dated 7 September 1988, the Directors anticipate that dividends will be paid annually and are not declaring the payment of an interim dividend.
During the six months to end December 1991, the net asset value of Greece Fund Limited decreased by 2.45% compared to a decrease in the Athens Stock Exchange (ASE) General Index of 4.55%, both expressed in US Dollar Terms. During this period, the Drachma appreciated by 11.70% against the US Dollar.
The Interim Report will be sent by mail to holders of registered shares at their registered addresses on 12 March 1992. Copies of the Interim Report will be made available to holders of the depositary receipts and to the public at the Company's place of business in England; 33 Gutter Lane, London EC2V 6AS.
Depositary: Morgan Guaranty Trust Company of New York, Brussels Office, 35 av. des Arts, 1040 Brussels.

Gencor Limited
GENCOR
(Incorporated in the Republic of South Africa)
(Registration number 01/01232/06)
("Gencor")

RESULTS OF RIGHTS OFFERS

Senbank is authorised to announce that:

1. Gencor shareholders and/or their renouncees had applied for 195,572,176 new Gencor ordinary shares at 1,000 cents per share when the rights offer of 199,949,913 new Gencor ordinary shares closed at 14:30 on Friday, 28 February 1992. Applications represent 97.8% of the ordinary shareholders' entitlement. The remaining 4,377,737 new Gencor ordinary shares will be taken up by the underwriter.
2. Gencor Beherend shareholders and/or their renouncees had applied for 126,885,261 new Gencor Beherend ordinary shares at 900 cents per share when the rights offer of 127,196,060 new Gencor Beherend ordinary shares closed at 14:30 on Friday, 28 February 1992. Applications represent 99.8% of the ordinary shareholders' entitlement. The remaining 310,799 new Gencor Beherend ordinary shares will be taken up by the underwriter.

Ordinary share certificates will be posted later today.

Johannesburg
9 March 1992

Merchant bank
SENBANK
(A division of Bankorp Limited)
(Registration number 54/01539/06)
(Registered bank)

Sponsoring brokers for GENCOR

REPUBLIC OF SOUTH AFRICA:
Martin & Co. Inc.
Davis, Borkum, Hare & Co. Inc.
Ed Hern, Rudolph Inc.
Ivor Jones, Roy & Co. Inc.

UNITED KINGDOM:
Smith New Court Corporate Finance Limited

NOTICE TO THE HOLDERS OF

Daiwa Danchi Co., Ltd.
(the "Company")

Bearer Warrants to subscribe for shares of common stock of the Company (the "Shares") issued with U.S.$100,000,000 1 3/8 per cent. Guaranteed Bonds 1992

"ADJUSTMENT OF SUBSCRIPTION PRICE"

Notice is hereby given that as a result of the issuance of DM150,000,000 4 1/2 per cent. Bonds 1992 (1996) with Warrants by the Company on 20th February, 1992 with the initial Subscription Price per Share of ¥872 determined on 13th February, 1992 being less than the current market price of ¥1,175.1 per Share for the captioned Warrants as at that date, the Company adjusted the Subscription Price of the captioned Warrants as follows:

1) Subscription Price before adjustment: ¥1,189.00 per Share
2) Subscription Price after adjustment: ¥1,156.60 per Share
3) Effective date of the above adjustment: 21st February, 1992 (Japan time)

Daiwa Danchi Co., Ltd.
By: The Sumitomo Bank, Limited
as Principal Paying Agent

9th March, 1992

THE KOREA-EUROPE FUND LIMITED
International Depositary Receipts
issued by
Morgan Guaranty Trust Company of New York
Interim Report

The directors of the Korea-Europe Fund Limited announce the unaudited results for the six months ended 31 December 1991.

	At 31 December 1991 US$ 000	At 31 December 1990 US$ 000
Assets applicable to ordinary capital	134,630	124,606
Net asset value per share	$4.69	$4.34

	Six Months Ended 31 December 1991 US$ 000	Six Months Ended 31 December 1990 US$ 000
Investment income		
Dividends	193	211
Interest	95	912
	288	1,123
Deposit interest	22	25
Total Revenue	310	1,148
Expenses and interest	830	830
(Deficit)/Revenue before taxation	(520)	318
Taxation on the revenue	30	108
(Deficit)/Revenue after taxation	(550)	210
(Deficit)/Revenue per share	(1.92) cents	0.73 cents

Note : Comparative figures for 1990 have been restated as a result of the change of accounting policy concerning the recognition of bond interest adopted in the annual audited accounts for the year ended 30 June 1991.

Over the six months to 31 December 1991 the net asset value of the Company rose by 14.7 per cent, compared with a rise of 0.9 per cent in the KSE Composite Stock Price Index and a fall in the value of the Korean Won against the US dollar of 4.7 per cent.

Dividend payments by Korean companies are concentrated into the second half of the Company's financial year and as a result there is a deficit of revenue for the six months of the current year. The Directors anticipate, however, that there will be a surplus of revenue available for distribution for the year ending 30 June 1992.

The Interim Report will be mailed to registered shareholders at their registered address on 16 March 1992 and will be made available to holders of depository receipts at the offices of Schroder Investment Management Limited, 33 Gutter Lane, London EC2V 8AS.

Depositary : Morgan Guaranty Trust Company of New York, Brussels Office, 35 av. des Arts, 1040 Brussels.

SAMANTHA INVESTMENTS PLC

£15 million Subordinated Floating Rate Notes Due 2001

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from 5th March, 1992 to 7th September, 1992 the Notes will carry interest at the rate of 12.1875 per cent per annum.

Interest payable on 7th September, 1992 will amount to £6,210.62 on each £100,000 Note.

Chartered WestLB Limited
Agent Bank

NOTICE TO HOLDERS OF

Sumitomo Heavy Industries, Ltd.

Bearer Warrants to subscribe for shares of common stock of Sumitomo Heavy Industries, Ltd. issued in conjunction with U.S.$340,000,000 4 7/8 per cent. Guaranteed Bonds Due 1994

and

Bearer Warrants to subscribe for shares of common stock of Sumitomo Heavy Industries, Ltd. issued in conjunction with U.S.$150,000,000 4 per cent. Guaranteed Bonds Due 1995

In respect of the captioned Warrants, notice is hereby given as follows:

On 10th February and 18th February, 1992, the Board of Directors of Sumitomo Heavy Industries, Ltd. (the "Company") resolved that the Company issue on 5th March, 1992 warrants to subscribe for shares of common stock of the Company in conjunction with U.S.$170,000,000 3 per cent. Guaranteed Bonds Due 1996, the initial subscription price of which is less than the current market price per share of the Company as provided for in the respective instruments relating to each of the above Warrants.

As a result of the above-mentioned issuance of warrants, the Subscription Prices of the captioned Warrants will be adjusted with effect from 6th March, 1992 pursuant to the provisions of the respective Instruments relating to each of the above Warrants as follows:

	Subscription Price before adjustment	Subscription Price after adjustment
Warrants initially attached to 4 7/8 per cent. Bonds Due 1994	¥697	¥691.6
Warrants initially attached to 4 per cent. Bonds Due 1995	¥747	¥741.3

Sumitomo Heavy Industries, Ltd.
By: The Sumitomo Bank, Limited
as Principal Paying Agent

9th March, 1992

NOTICE OF CHANGE OF ADDRESS

The Bank of Tokyo, Ltd., London Office as Paying Agent

NOTICE IS HEREBY GIVEN to holders of all Bearer Bonds and/or Notes for which The Bank of Tokyo, Ltd., London Office acts as Paying Agent that as of 9th March, 1992, its new address is:-

Finsbury Circus House
12-15 Finsbury Circus
London EC2M 7BT

The Bank of Tokyo, Ltd., Tokyo
As Fiscal Agent

9th March, 1992

Parretti claims victory in latest MGM-Pathe twist

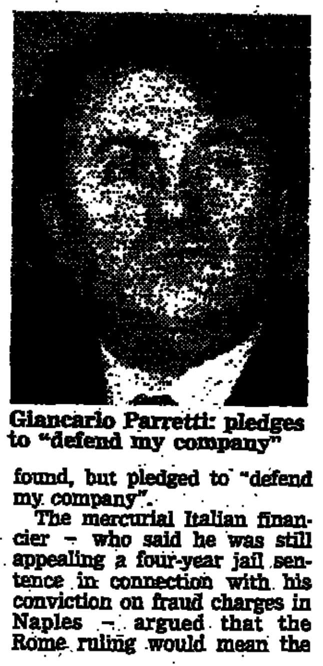
By Alan Friedman in New York and Haig Simonian in Milan

MR GIANCARLO Parretti, the controversial Italian financier, claimed yesterday that he had scored a court victory in Rome in his long-running battle with Crédit Lyonnais, the French state bank, for control of MGM-Pathe, the financially crippled Hollywood studio.

Mr Parretti said a Rome court had ordered the sequestration of shares in Pathe Communications and MGM-Pathe Communications, throwing into confusion an earlier US court decision giving control of the MGM board to Crédit Lyonnais nominees.

Full details of the decision were not released. However, the move probably represents an attempt by Mr Parretti to bring Crédit Lyonnais, whose Dutch subsidiary Crédit Lyonnais Bank Nederland largely financed his $1.3bn November 1990 takeover of MGM-Pathe, back to the negotiating table.

Mr Parretti said in an interview last night he believed a compromise solution would be found, but pledged to "defend my company".



Giancarlo Parretti: pledges to "defend my company"

The mercurial Italian financier – who said he was still appealing a four-year jail sentence in connection with his conviction on fraud charges in Naples – argued that the Rome ruling would mean the immediate ousting of Mr Alan Ladd, the MGM chairman backed by Crédit Lyonnais.

Mr Parretti said that in place of Mr Ladd, the Rome judge had appointed Mr Cesare De Michelis, the brother of Mr Gianni De Michelis, Italy's foreign minister.

Last December, Crédit Lyonnais gained control of Pathe Communications after a long legal battle in the US.

Voting rights for Mr Parretti's controlling stake in Pathe Communications, which in turn controls MGM-Pathe, were subsequently allocated to Crédit Lyonnais, which installed new management.

Mr Parretti and two associates were removed as directors.

There is now likely to be frenzied legal activity ahead of a second legal hearing, set for April 28, when the Rome court will decide whether to confirm the sequestration. Mr Parretti may well seek to use the interval to negotiate a deal with Crédit Lyonnais.

Moller sees threat in disclosure changes

By Hilary Barnes in Copenhagen

DENMARK'S biggest business, the A. P. Moller (APM) shipping, shipbuilding, energy and industrial group, is under political pressure to increase its financial disclosure.

Rules covering companies listed on the Copenhagen Stock Exchange exempt shipping lines from the obligation of disclosing figures in half-year reports, if the companies judge disclosure would damage their competitive position.

A committee of experts reporting to the industry ministry has recommended the continuation of this dispensation, which is utilised by the APM holding companies, 1912 and Svendborg. However three political parties with a combined majority in the Folketing – the Social Democrats, the Radical Liberals and the Socialist People's Party – are calling for an end to the exemption.

APM argues that since many of its main competitors, especially Far Eastern shipping lines, do not publish annual reports, it has a strong interest in holding disclosure to a minimum. APM's Maersk Line is the world's second largest shipping company by container capacity. Taiwan's Evergreen is the largest.

Maersk is so well-financed that it has not raised new equity capital through the market for many decades, raising speculation that it might withdraw its Copenhagen listing rather than meet more stringent disclosure requirements.

Meanwhile, APM has disclosed that it owns 8.11 per cent of Den Danske Bank, the country's largest, making APM the second-largest shareholder after the National Labour Market Pension Fund, with 8.44 per cent.

The disclosure follows new rules requiring those with more than 5 per cent of shares in a company to reveal their holdings.

The same rules led to the disclosure of AMP's ownership. Mr Maersk McKinney Moller, 78, the shipowner who heads the group, personally holds 5.98 per cent of the voting shares in Svendborg and 5.81 per cent in 1912. Mr Moller and his family foundations together control 55.47 per cent of the votes in Svendborg and 62 per cent of the votes in 1912.

As Moller business operations are owned by twin parent companies – neither of which holds a majority of the shares – APM is not legally a group under Danish law and therefore does not publish consolidated accounts.

Norway watchdog under scrutiny

By Karen Fossli in Oslo

NORWAY is preparing for the merger of its central bank and the Banking Insurance Securities Commission (BISC) – a government-funded watchdog – as pressure mounts on Mr Svein Aasmundstad, the controversial head of BISC, to step down.

The finance ministry has set up a four-person committee to study the feasibility of such a merger. A decision is expected in early May when the revised national budget for 1992 will be unveiled.

A merger would end the autonomy of the BISC, set up five years ago, but it would strengthen its credibility, which has been called into question on several occasions because of Mr Aasmundstad's public outspokenness.

In a recent outburst, a local news agency quoted the BISC chief as saying that the government was considering a write-down of the value of Den norske Bank's shares to zero.

Afterwards, trading in DnB's volatile shares was suspended on the Oslo bourse for several hours on February 28. Before the suspension they plunged NKr1.70 to NKr5.30 on concerns over the bank's capital adequacy. The finance ministry quickly issued a statement confirming that DnB's capital adequacy met legal limits.

In a separate incident, Mr Aasmundstad last June warned that the government could intervene in Fokus Bank, the third biggest bank, until a bigger Norwegian bank was found to take it over. At that time, Fokus enjoyed a bourse listing and its future nationalisation was not yet known.

The BISC chief's candour on stock-sensitive information is understood to annoy bourse and other finance officials.

The idea of a merger of BISC and the central bank was first floated last June by Mr Hermod Skaanland, the central bank's governor, in a speech on the occasion of the bank's 150th anniversary. Mr Skaanland said then that a synergy could be derived from integrating the two institutions.

Mr Aasmundstad's future was discussed last Friday with Mr Arne Oeien, secretary-general of the finance ministry. The ministry said the issue would be clarified in consultation with Mr Aasmundstad.

Trade in Italy's BNA to resume

By Haig Simonian in Milan

SHARES in Banca Nazionale dell'Agricoltura (BNA) and affiliated companies forming Italy's second-largest private-sector banking group will resume normal trading today after a decision on Friday by Consob, the country's stock market watchdog. However, investors will be banned from taking short positions in order to damp any speculation.

Cosob had suspended shares of BNA – as well as Bonifiche Siele Finanziaria, its holding company, and Interbanca, its long-term lending subsidiary – after conflicting reports last month that the group's controlling shareholder, Count Giovanni Auletta Armenise, had decided to sell his stake.

Count Auletta owns around 52 per cent of the ordinary shares in Bonifiche Siele, which in turn controls BNA.

BNA, which is one of Italy's least profitable banks, has been the subject of intense speculation ever since Credito Italiano, the big public-sector bank, mounted an unsuccessful attempt to buy control in 1989, leaving it with 22 per cent of Bonifiche Siele and 8.2 per cent of BNA.

Since then, BNA has been in limbo. While bankers have doubted Count Auletta's ability to meet its growing financial needs from his own resources, he has consistently denied any plans to sell out, whether to Credito Italiano or others.

Last month Mr Giuseppe Gennari, a financier and former adviser to Count Auletta, announced he had decided to buy the count's shares for around L1,200bn ($959m).

Mr Gennari already owned around 17 per cent of Bonifiche Siele. However, shortly after the announcement, Count Auletta denied any agreement to sell, prompting confusion in the market and Consob's decision to suspend the shares.

CREDIT Lyonnais, the leading French bank, has spent L80bn ($64m) on a 12.8 per cent stake in Banca Agricola Milanese (BAM), a small Italian regional bank based in Milan.

Crédit Lyonnais is already strongly represented in northern Italy, where it owns the majority of Crédito Bergamasco, a highly-profitable regional bank. The French institution is known to be keen to expand its Italian presence further.

However, it is unclear whether the latest move by Crédit Lyonnais represents a first step in gaining control of BAM, or a tidying-up of accounts. BAM is majority-owned by Banca Popolare di Milano, Italy's second biggest co-operative bank, which has shown no interest in relinquishing control.

Correction

Frank Lorenzo

A PICTURE of Mr Frank Lorenzo in the Financial Times of March 5 was incorrectly captioned as "chairman of Continental Airlines". Mr Lorenzo stepped down as chairman and chief executive in August 1990.

Philips offers to buy remainder of Super Club

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics group, has offered to buy out minority shareholders in Super Club, the troubled Belgian-based chain of video rental shops, in return for their support of a "drastic" financial restructuring of the loss-making company.

If the deal goes ahead, Philips said it would pay cash or issue new shares of its own to take over the 49 per cent stake in Super Club which it does not yet control.

Philips, which has repeatedly come to Super Club's rescue since 1990, will soon call a special meeting of Super Club's bankers and bondholders to discuss the restructuring of a BFr2.5bn ($73.5m) bond issue and other loans.

"It is essential that the banks as well as the bondholders agree that they should make financial sacrifices," Super Club said.

In return for these unspecified sacrifices, Philips would guarantee all the Belgian company's bonds and loans. Philips will also agree to buy out minority shareholders, based on a valuation to be performed by an independent bank. Philips has already pumped some Fl 400m ($215m) into Super Club, representing one of the only investments it has made since running into difficulties of its own in 1990.

Minority shareholders intend to press Philips to value Super Club at around BFr2,000 a share, the price prevailing in March 1991 when Philips assumed majority control. Although Philips is expected to resist these demands, it is likely to pay well over Fl 200m to remaining shareholders.

The proposals, which mark a further deepening of Philips' involvement in the ailing Belgian venture, follow news that Super Club posted a loss of BFr4.3bn in the first nine months of its 1991 financial year, due mainly to high financing costs. In the previous financial year, which covered 14 months, Super Club made a loss of BFr14.7bn.

Super Club said its results would continue to come under pressure from the high cost of its indebtedness.

US acquisition lifts Gambro

By John Burton in Stockholm

GAMBRO, the Swedish medical equipment maker, has revealed a 46 per cent rise in 1991 pre-tax profit to SKr594m ($98m). It increased its dividend by 25 per cent to SKr3.75.

The company said there had been good demand for its main products, which include kidney treatment and heart surgery equipment.

The improvement is also due to the acquisition of Cobe Laboratories, a US producer of dialysis machines and surgery equipment, in June 1990. Gambro's US operations, which formerly lost money, have become profitable as a result of the purchase.

Gambro last month strengthened its marketing position in the US by increasing its stake in Ren Corporation, which operates dialysis clinics, from 23 to 30 per cent.

Sales during the period increased 31 per cent to SKr5.6bn. Operating profit increased 39 per cent to SKr784m, but Gambro's interest costs rose 27 per cent to SKr283m as a result of the Cobe purchase.

NRI TOKYO BOND INDEX

December 1983 = 100	5/03/92	Average yield (%)	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	172.92	5.56	171.05	167.17	160.29
Government Bonds	169.60	5.42	169.68	165.57	158.40
Municipal Bonds	172.17	6.02	172.13	169.33	162.11
Govt.-guaranteed Bonds	174.76	5.98	174.70	171.53	164.70
Bank Debentures	166.85	5.30	167.16	163.20	156.96
Corporate Bonds	173.47	6.32	173.49	170.02	162.53
Yen-denom. Foreign Bonds	177.94	6.87	177.72	173.56	167.36
Government 10-year†	5.67		5.64	5.81	6.28

† Estimated par yield

Source: Nomura Research Institute

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Political jitters prompt sell-off

SOMETHING had to give – and it did. After two months of highly respectable price rises, the gilt market last week went into reverse on fears about a poor showing for the Tories in the general election and a big rise in the public sector borrowing requirement (PSBR) in the next two years.

With all eyes focused on tomorrow's Budget, gilt investors suffered an attack of nerves, with buying pressure extremely subdued and many interested in swapping out of UK bonds and into those issued by other governments.

As a result, prices of some types of gilt fell by as much as 2 points over the week. There was a consequent increase in yields.

Mr Norman Lamont, the chancellor, is widely expected in his Budget to inject up to £4bn into the economy, partly through tax cuts, in a bid to revive the flagging economy and cheer up voters ahead of the election.

While this might in theory be good for the Conservatives' re-election chances, a move of this kind is also likely to push up sharply the PSBR. That worries many in the gilt market, both because it could kick off a spell of inflationary pressures and also because a large amount of borrowing would feed through to large, price-depressing gilt issues over the next year or so.

Such fears triggered a gilt sell-off, led by overseas investors. The Treasury 9 per cent bond maturing in 2008 fell from 99 at the beginning of the week to 97⅛ on Friday night, for a yield of 9.34 per cent.

The shorter-dated 10 per cent Treasury bond due in 1994 fell by a smaller amount, from 101⅛ to 100⅞, yielding 9.65 per cent.

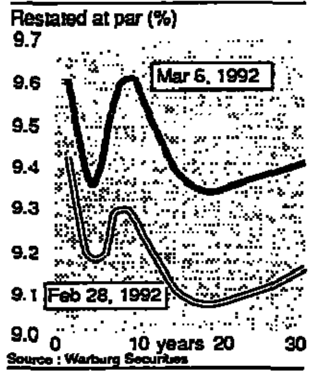
Many observers believe that the PSBR will rise from about £12bn in 1991-92 to roughly £25bn in 1992-93. It could go up to £35bn in 1993-94, according to some projections. Many economists are not comfortable about such figures, particularly in the context of the Budget.

Mr John Shepperd, an economist at Warburg Securities, says: "A tax give-away when the public sector is swinging into deficit is causing some concern in the gilt market."

Others are more relaxed. Mr Roger Bootle, chief UK economist at Greenwell Montagu, says: "While I would want to keep the PSBR under close scrutiny, a rising deficit is acceptable at a time when the UK is still in serious recession."

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Mr Malcolm Roberts, a bond specialist at UBS Phillips & Drew follows a similar line. He expects the Treasury to have little trouble finding gilts buyers over the next year or so, even if gilt issues rise steeply, as many in the market expect. Some reckon issues could run to £30bn in 1992-93, roughly twice the level this year.

Mr Roberts says: "The markets take the view that there is plenty of time for the deficits to come down again later in the decade, after the economy has picked up."

However, in the frenetic political atmosphere ahead of the election, such calm, long-term considerations do not count for very much in the gilt market. One of the big talking points is the poor showing by the Tories in recent opinion polls.

Many gilt practitioners view a Labour government as likely to kick off a still bigger borrowing spree and running into problems in keeping sterling steady within the European exchange rate mechanism – both developments being negative for the gilt market. Hence if the lacklustre results for the Conservatives from the polls continue, gilts may continue to slide.

It was all different at the end of last year, with a strong demand for gilts from UK institutions and also, as figures from the Central Statistical Office last week showed, from overseas investors.

An analysis of capital flows into the UK in the fourth quarter indicated that overseas investors bought £1.2bn of gilts in the final three months, after £540m in the third quarter.

Peter Marsh

SPANISH BONDS

Madrid dealers fall for Maastricht factor

THE European Community's Maastricht summit last December motivates Spanish government bond traders and buyers every bit as much as it does those who walk the Brussels corridors of power. Those who shuffle policy papers around Eurocrat departments and those who in Madrid dealing rooms cradle telephones and stare at VDU screens share an enthusiasm for convergence.

Madrid bond dealers unsurprisingly call it the Maastricht factor and they love it. The factor has ensured attractive yields for the foreseeable future. The bond market is looking very good, they say, and there is nothing to suggest it will lose its looks.

Convergence was Maastricht's buzz word, and at the summit Spain committed itself to narrowing the interest rate differential that sets it apart from its northern European neighbours in order to make a soft landing in the first-tier group of EC members that will form Economic and Monetary Union (EMU).

Euro-enthusiasts may talk about binding the EC together and Spanish government policy makers, obsessive about the value of EMU, are the chief cheerleaders in the convergence fan club. Spanish bond market watchers, who have taken convergence fully on board, know that such excitement means lowered interest rates and improved yields.

Currently, the 10-year 11.30 coupon is yielding around 10.67; the five-year 11.60 is yielding 10.34; and the yield on the three-year 11.80 coupon is 11.41. Traders are monitoring a switch into the newer bonds, and they see that foreign buyers have clearly understood Spain's determination to meet the convergence criteria.

One startling implication is that the peseta, which is currently up in the skies as the ceiling currency of the European Monetary System's exchange rate mechanism (ERM), must buckle down to adjust from its present 6 per cent band in the mechanism to one of 2.5 per cent.

Spain has until the end of 1993 to do so but already there is talk that the switch may take place in the second semester of this year in conjunction with the pound, the ERM's floor currency. A depreciation of the peseta is inevitable this year. The likelihood is that it will be a controlled depreciation geared to avoid panic among foreign investors.

Bullishness over an interest rate cut is fuelled by the particular strength of the peseta which last week was stretching near to snapping its 6 per cent margin against the pound. Nobody imagines the British interest rates going up to narrow the gap; everybody expects Spanish rates to go down to ease the pressure.

That is exactly what happened on February 25 when the Bank of Spain introduced a 25 basis-point cut to bring its intervention rate down to 12.40. It did so as much as a favour to the pound as in preparation for convergence.

Mr Carlos Solchaga, economy minister, said there was a need to favour "a more balanced situation" in the ERM.

Another cut, one in the range of 10 to 15 basis points, is on the cards in the coming weeks for exactly the same reasons. In expectation of this development, what the market has uppermost in its mind is that Mr Solchaga has said that interest rates could fall by up to 1 percentage point this year if the inflation rate performed well and if salary increases were moderate.

Tom Burns

US MONEY AND CREDIT

Focus swings to pace of recovery

FORGET the bad news. Cast off the sackcloth and ashes. Start worrying instead about the speed of the economic recovery.

Analysts who barely one month ago were predicting that another interest rate cut was on the cards, have turned instead to fretting about the pace of any upturn.

"It is now most appropriate to focus on the growing indications of a re-acceleration of economic activity, the likelihood that inflation will remain at 4 per cent or higher, and the likelihood that large budget deficits will pressure the capital markets over the balance of the decade," suggested Donaldson, Lufkin & Jenrette, in a circular to clients last week.

"There is increasing evidence . . . that the economy is poised for at least a modest growth rebound in the second quarter," said Mr David Hale at Kemper Financial Services.

The steady stream of economic news last week appeared to support such optimism, causing the yield on the benchmark 30-year long bond to reach 7.92 per cent by late Friday afternoon, compared with 7.79 per cent a week earlier. This defensive tone, moreover, was evident throughout most of the week's trading sessions. Only on Wednesday did prices firm slightly as investors worried about the unemployment data due to be released on Friday, and then again on Friday afternoon as that news was digested.

In fact, the unemployment figures were probably the most ambiguous statistics to hit the markets during the five trading sessions. On the one hand, non-farm payrolls in February rose by 164,000 – well in excess of the 10,000 gain generally predicted. But this was tempered by a significant readjustment in the January figures – the estimated payroll drop of 91,000 was revised to a 149,000 fall.

Moreover most analysts noted that the rise in February's non-farm payrolls could largely be attributed to the medical services sector and to retailing. The latter, however, was abnormally depressed in the first quarter of 1991, partly due to uncertainties induced by the Gulf war.

The headline unemployment figure, meanwhile, rose by 0.2 points to 7.3 per cent, while most pundits had pitched their estimates at around 7.1 per cent. As Mr Robert Brusca, chief economist at Nikko Securities, observed: "These two job reports purport to measure the same economy; but they have it going in different directions in February – a short month, packed with holidays bearing outsized seasonal factors."

This muddled picture, however, was in sharp contrast to the positive data unveiled earlier in the week. On Monday, the national purchasing managers' index (NPMI) for February rose to 52.4 per cent, compared with 47.4 per cent in the previous month. Analysts generally had been anticipating a much smaller improvement.

On Tuesday, moreover, the NPMI data was supported by a sharp advance in the January index of leading economic indicators, and by a fairly healthy 12.9 per cent surge in new single-home sales that month.

Whether any of this is likely to unleash inflationary forces remains a moot point, however. Many analysts are sanguine, suggesting that the annual rate will remain at around 3.5 per cent.

Maverick voices can be heard. DLJ, for example, argues that something over 4 per cent may be more likely. Analysts there note that the year-on-year inflation rate for the consumer price index, net of food and fuel, has only dropped below 4 per cent once during the past decade.

Inflation trends will be one of the main focal points in the current week. On Friday, the February producer price index figures are due to arrive, with most analysts predicting a modest 0.2 per cent increase in both the "core" and overall indices. This would follow a 0.3 per cent fall in the "non-core" rate in January, caused primarily by declining energy prices.

A day earlier, attention is likely to centre on the retail sales figures for the same month. Here, forecasts appear to be more widely spread – from a 0.6 per cent improvement or 0.3 per cent excluding cars, to as much as 0.9 per cent and 0.5 per cent respectively. Data at the upper end of this scale would probably convince bond traders that recovery is well under way, and fuel inflation fears. Bond prices, in turn, could fall further.

Nikki Tait

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	3.50	4.19	3.62	11.00	2.00
Three-month Treasury bills	4.12	4.02	3.82	8.29	3.76
Six-month Treasury bills	4.27	4.12	3.89	7.70	3.89
Three-month prime CDs	4.32	4.18	4.02	7.17	4.01
30-day Commercial Paper	4.27	4.15	3.90	7.12	3.90
90-day Commercial Paper	4.30	4.15	3.92	7.02	3.92

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	95¾	-1⅜	7.15	6.91	6.77
10-year Treasury	100⅛	-1⅞	7.47	7.25	n/a
30-year Treasury	100⅝	-1⅜	7.92	7.79	7.77

Source: Salomon Bros (estimates).

Money supply: In the week ended February 24, M1 rose by $2.3bn to $933.8bn. M2 fell by $1.5bn to $3,480.3bn

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHT	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	106¼	-¼	6.27
ABN 9 1/8 94	200	104⅞	-½	6.82
AETNA LIFE & CAS 7 3/4 16	200	101¼	-⅞	7.58
ALBERTA PROVINCE 8 5/8 96	750	104⅝	-⅞	7.41
ALBERTA PROVINCE 9 3/8 95	600	107¼	-⅞	7.02
AMERICAN EXPRESS ZERO 00	450	47¼	-⅞	8.93
AMERICAN GENERAL 9 3/4 95	100	105½	-⅞	7.78
AMERICAN INTL 0 04	750	35	-⅞	8.80
ASIAN DEV BANK 0 04	1000	35½	-⅞	8.65
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PRUDENTIAL FIN 8 1/4 01	300	98	-1¼	8.55
PRUDENTIAL RLTY SECS 0 99	365.216	58¼	-⅛	8.16
QANTAS AIRWAYS 8 5/8 96	97.75	103⅝	-⅞	7.55
QUEBEC HYDRO 9 01	300	103⅛	-1⅛	8.45
QUEBEC HYDRO 9 3/4 98	150	108½	-1⅛	8.07
QUEBEC PROV 9 98	200	104⅝	-1	8.00
QUEENSLAND GOVT 10 1/4 95	100	108⅝	-⅞	7.34
RALSTON PURINA 11 3/4 95	150	111	-⅞	7.67
REED PUBLISHING 9 5/8 97	150	106½	-1	8.09
SAINSBURY 9 1/8 96	150	104⅞	-1	7.79
SAS 10 99	200	105⅝	-⅞	8.80
SAS 10 1/8 95	150	106¼	-¼	8.09
SBAB 9 1/2 95	500	107	-⅛	4.99
SBC FINANCE 7 3/4 96	200	101⅞	-1	7.30
SEAGRAM CO 8 1/2 96	100	102	-¼	7.90
SEARS EURO TRUST 8 3/4 96	750	102⅛	-⅝	8.11
SEARS O/S FIN 0 98	500	58¼	-⅝	8.88
SEARS ROEBUCK EURO 9 3/4 95	900	104½	-⅝	8.04
SNCF 7 1/4 94	175	102⅛	-⅛	5.81
SNCF 9 1/2 98	150	108⅝	-1⅛	7.69
STATE BK NSW 8 1/2 96	200	102⅝	-⅞	7.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FORD MOTOR CREDIT 9 1/4 94	300	100¾	-⅛	9.15
IND BK JAPAN FIN 5 5/8 96	200	91½		8.20
INTER AMER DEV 9 00	300	106⅞	-⅛	7.88
IRELAND 6 1/2 99	300	92⅞	+¼	7.91
LUFTHANSA INT FIN 5 7/8 98	500	89⅝	-⅛	8.17
NAT BK HUNGARY 10 3/4 98	500	100		10.72
SWEDEN 6 1/8 98	300	91¼	-⅛	7.90
TURKEY 10 3/4 96	500	101¼	+⅛	10.36
WORLD BANK 0 15	2000	21½	-⅛	6.67
WORLD BANK 5 3/4 96	300	92⅝	-⅛	7.96
WORLD BANK 8 3/4 00	1250	105⅛	+⅛	7.85

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	91¼	-¼	6.84
AUSTRIA 4 5/8 98	100	90½	+¼	6.61
CHUBU ELEC POWER 6 3/4 01	300	100¼	+¼	6.71
COUNCIL EUROPE 4 3/4 98	250	91		6.63
EEC 5 1/2 00	100	91	-⅛	6.90
EIB 6 1/2 98	600	100¼	-⅛	6.44
ELEC DE FRANCE 7 1/4 06	100	103½	-1	6.85
FINLAND 5 3/8 95	150	96	-⅛	6.63
GENERAL MOTORS 7 1/2 95	100	99½		7.68
JAPAN DEV BK 5 1/2 98	100	96⅝		7.51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EQUITY WARRANTS				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
KOBE STEEL	08/07/94	[illegible]	[illegible]	60.32
MITSUBISHI EST	12/06/96	4½	-⅛	40.06
MITSUI TOATSU CHEM	11/03/94	[illegible]	[illegible]	
MORINAGA	30/03/98	1⅞	-⅛	
NICHIREI CORP	13/06/95	19⅝	+⅛	13.27
NIPPON COMSYS	11/06/98	13⅛	-⅛	35.66
NISSHIN STEEL	31/01/95	6⅛	-1⅛	42.87
ROYAL HOTEL	18/04/96	3		
SMC	14/03/95	3⅛	-⅛	53.69
TAKASHIMAYA	25/07/95	4	-⅛	
TOYO SASH	02/07/96	15	-2	17.79
YAMANOUCHI PHARM	05/08/97	2⅝	-⅛	
[illegible]	01/03/94	18⅝	+⅛	16.24

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on March 6

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LOANS

Airlines face switch in source of finance

AIRLINES, faced with the drying-up of their traditional sources of financing, will be forced to find new sources of funding in order to cover the enormous cost of expanding and upgrading aircraft fleets

Boeing, the world's largest manufacturer of commercial aircraft, last week predicted that airlines would have to turn to the international capital markets in order to raise the necessary funds, given that they will require $857bn of new aircraft over the next 20 years.

This view is echoed by international bankers who believe there may be a shift away from bank loans and leases as airlines turn to the bond markets and more innovative forms of financing.

The problem for the airlines is that Japan, which during the 1980s was an important source of aircraft financing – both through loans and leases – is no longer such a willing supplier of funds.

The Japanese banks, which were once so keen to lend to airlines, are now reluctant to participate because of concern about the international capital adequacy requirements agreed by the Basle committee.

As one financing expert points out: "Japanese banks are only interested in lending to the good flight carriers, and are not at all interested in lending to the weaker names."

At the same time, as the Japanese banks are picking their borrowers more carefully, the supply of leveraged lease deals from Japan is drying up. With a finance lease, a group of investors buys the aircraft and then leases it out to the airline. Such deals were particularly popular in Japan among rich individuals and small businesses because of tax advantages, and these were passed on to the airline in the form of reduced rentals.

Lease arrangements still continue, but not on the same scale as before, since the Japanese authorities have clamped down on the tax advantages, while the fall in the Japanese stock market means that companies and investors have fewer gains to shelter.

"There have been problems for some time getting equity from the Japanese and putting these Japanese leveraged leases together," says one Japanese banker.

With banks less willing to lend money, margins on loans have increased sharply. Two years ago, a leading European flag carrier would have paid a margin of between 25 and 35 basis points over the London interbank offered rate (Libor) on a 10 to 12-year loan. Now, the margin is more likely to be in the region of 60 to 80 basis points, bankers say.

In view of the industry's future requirements, bankers point out that the loan market will be unable to meet the demand. "The way the market has been, the banks simply cannot provide all that liquidity," says one aircraft finance expert.

"The airlines will need very large sums of money so there will have to be alternative sources of finance such as public sector bond issues, with institutional investors buying 10 or 12-year secured notes backed by the aircraft."

Sara Webb

EUROMARKET TURNOVER ($m)

	Primary Market US $	Primary Market Non-$	Secondary Market US $	Secondary Market Non-$
Fixed income bonds				
Euros straight	1,831.5	2,466.1	30,065.6	46,040.8
Other straight	0.0	975.8	682.2	106,443.6
Convertible	0.0	146.8	1,054.5	1,518.7
Money market instr				
FRN	235.4	223.9	11,205.5	3,095.0
CD's	671.7	101.2	1,380.2	539.5
Short $ MT Notes	14,469.1	5,305.9	8,639.0	10,189.6
Warrants	0.0	0.0	807.9	301.2
Equities	2.2	0.0	250.5	1,924.0
Total	17,209.9	9,219.1	54,245.6	171,041.4

	Cedel	Euroclear	Total
US$	27,695.4	43,760.1	71,455.5
Other	62,894.6	117,365.9	180,260.5

Week to March 5, 1992

The Warrants and Equities figures are from Euroclear only

Source ISMA

INTERNATIONAL BONDS

Refinancing fears arise over convertible paper

HUGE sums of equity-linked bonds launched in the international bond market in the late 1980s fall due for redemption this year and next.

Under normal circumstances the debt would simply be refinanced with new equity-linked bond issues. However, many of the issuers never expected to redeem the bonds, and the appetite of international investors for equity-linked paper is much less than when the bonds were issued.

For example, companies which issued convertible bonds in the late 1980s expected that debt would be converted into equity well before the redemption date. However, equity prices remained soft and conversion never took place.

Similarly, companies which issued warrant bond issues against a background of a booming equity market have found the warrants were never exercised and the debt must now be refinanced on less attractive terms.

Equity-linked finance was a source of cheap funding for many companies. Many Swiss franc convertible bond issues launched in the late 1980s carry no interest payments. Investors were willing to buy the bonds as an investment linked to the equity market.

Japanese companies were the greatest exponents of equity-linked finance in the Eurobond market. In 1989 $65bn of warrant bond issues were launched in the international market, the vast majority by Japanese companies.

Securities firms became rich on the proceeds. On standard Euromarket fees of 2¼ per cent, the volume of new issuance in 1989 alone would have netted $1.46bn of fee income. In addition, the majority of the issues traded up from issue price, adding to the earnings of underwriters.

Some $32bn equivalent equity warrant bonds fall due for redemption this year alone, rising to $78bn in 1993. Around $4.6bn of Swiss franc convertible bond issues fall due this year, rising to over $10bn in both 1993 and 1994.

These figures give only a rough guide to the amount of refinancing required. Some of the bonds have been called after the warrants were exercised, and others were converted into equity before the Tokyo stock market collapsed in 1990. But Japanese equity prices have languished well below the peak of the late 1980s, when most of the bonds were issued.

The Nikkei stock market index is now trading at around 21,000, similar to the levels seen in 1987 and well below the peak of 38,915 in early 1990.

This suggests that a large proportion of the outstanding bonds were never converted into equity and that warrants were never exercised. Refinancing these bonds poses a challenge to corporate financiers.

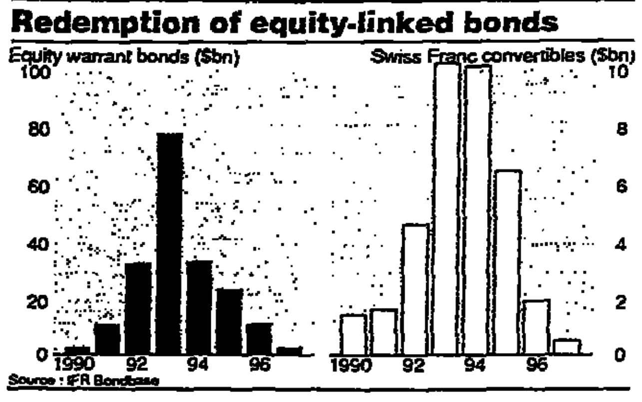
It is clear that the market will not absorb new issues of warrant bonds or convertibles on the scale required for full refinancing. Last year only $26bn of new equity warrant bond issues were launched, an improvement on the $19bn issues in 1990 but still well below the levels achieved at the peak of the market.

If the Tokyo stock market remains buoyant, the more popular companies may refinance maturing debt with more equity-linked finance. However, many will have to use other more costly instruments or simply swallow the fact that debt must be redeemed.

Many Swiss franc issues falling due this year will be repaid at the end of this month, the end of the Japanese fiscal year. Japanese companies may need to buy around SFr2bn to SFr3bn to repay bonds.

Simon London

Redemption of equity-linked bonds



Source: IFR Bondbase

Eurobond clearing houses in agreement

By Tracy Corrigan

CEDEL and Euroclear, the two Eurobond clearing houses, have agreed to exchange clearing information in a move that ends two years of dispute.

The new "bridge" system, to come into force in October, will save about $30m a year and increase efficiency. A long test period is needed because of the technical complexity of the change, which involves Cedel shifting to a system of overnight processing.

The agreement, signed in Paris on Friday, incorporates the concept of delivery versus payment, which Cedel had resisted until now.

In 1990, the two firms agreed to renegotiate their 1980 "bridge" agreement on the exchange of information, but until now have failed to resolve the problem.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Autobacs Seven♦†	100	1996	4	3	100	Nomura Int.	3.000
Ebara Corp.(a)♦†	150	1996	4	3	100	Yamaichi Int.(Europe)	3.000
Nip.Telegraph & Telephone†	250	1997	5	6⅞	101⅛	JP Morgan Secs.	6.604
Thailand Kingdom(f)†	300	2002	10	8¼	99.67	Salomon Bros.	8.471
Chubu Electric Power†	350	1996	4	7	100	UBS Phillips & Drew	7.000
African Devt Bank†	300	2002	10	7⅞	99.74	SBC	7.914
IMI Bank Int.†	300	1997	5	7⅝	99¾	JP Morgan Secs.	7.687
Philip Morris†	250	1997	5	7½	101.6025	CSFB	7.108
El Du Pont de Nemours†	250	2002	10	8	101$\frac{11}{16}$	CSFB	7.733
Republic of Turkey(h)†	200	1997	5	8½	100	Bankers Trust Int.	8.681
Japan Radio Co.♦	150	1996	4	3	100	Nikko Europe	3.000
Taisei Prefab Constr.♦	100	1996	4	3	100	Yamaichi Int.	3.000
Bco.Rio de la Plata(s)†	100	1995	3	9⅛	98.541	Merrill Lynch	9.932
STERLING							
Republic of Finland†	250	1997	5	9¾	99.14	SG Warburg Secs.	9.977
Cable & Wireless Int.Fin.†	150	2002	10	10⅜	101.20	Samuel Montagu	10.178
Commercial Union†	100	2002	10	10¾	100.836	Kleinwort Benson	10.610
ECUs							
Nisshinbo Industries(b)♦†	100	1996	4	4⅞	100	Nikko Europe	4.875
British Gas Int.Fin.†	200	1994	2	9	101.075	SBC	8.394
FRENCH FRANCS							
Credit Foncier de France(d)♦†	400	2002	10	4	100	JP Morgan & Cie	4.000
Gen.Elec.Cap.Corp(e)†	300	1995	3	9⅜	100.97	CSFB	8.980
World Bank†	1bn	2000	8	8⅜	98.736	CCF	8.500
Hydro Quebec†	1bn	2002	10	9	100.845	Societe Generale	8.869
AUSTRALIAN DOLLARS							
Victorian Pub.Fin.Auth.†	200	2002	10	zero	35.80	Hambros Bank	10.818
D-MARKS							
Osaka Uoichiba(q)♦†	100	1996	4	4⅜	100	Nomura Bk GmbH	4.375
Sekisui Plastics(g)♦†	100	1996	4	4⅜	100	Yamaichi Bk GmbH	4.375
Footwork Intl. Corp(r)♦†	60	1996	4	4.375	100	Daiwa Eur.(Deutschld.)	4.375
Showa Highpolymer♦	50	1996	4	4⅜	100	Daiwa Europe GmbH	4.375
Nikkiso Corp(j)★★‡†	40	1997	5	(j)	100.30	Dai-ichi Kgyo.Bk	-
Daishinku Corp♦	60	1996	4	4⅜	100	Daiwa Europe GmbH	4.375
A/B Spintab†	150	1997	5	8½	102¼	Merrill Lynch Bk AG	7.937
Nohmi Bosai♦	70	1996	4	4⅜	100	Daiwa Europe GmbH	4.375
Tachi-S Co.♦	65	1996	4	4⅜	100	WestLB	4.375
SWISS FRANCS							
Aoyama Trading(c)★★§†	450	1996	-	3	100	SBC	3.023
KYC Machine Ind.★★♦	50	1996	-	3½	100	SBC	3.500
KYC Machine Ind.(k)★★§	20	1996	-	3¾	100	SBC	3.746
Five Foxes Co.(n)★★‡†	20	1999	-	(n)	101⅜	Mitsubishi Bk (Switz)	-
Bayerische Hypothekent†	100	1999	-	6¾	102¼	Swiss Volksbank	6.342
PESETAS							
European Inv.Bk(m)†	20bn	1997	5	10.20	101.45	Bco.Bilbao Vizcaya	9.819
LIRE							
ENEL(i)†	500bn	2002	10	10⅝	101.60	Bca.Comm.Italiana	10.353
Mediobca.Int.(o)†	50bn	1999	7	11.70	100	Banco di Roma	11.687
GUILDERS							
Commerzbank AG(p)†	250	2002	10	8½	100.45	Rabobank	8.432
Bay'ishe Hypotheken†	200	1997	5	8¼	100.40	Rabobank	8.149
YEN							
Mitsui Toatsu Chemicals†	15bn	1996	4¼	5.8	101.45	Nomura Int.	5.401
Mitsui Toatsu Chemicals†	15bn	1997	5¼	5.85	101¾	Yamaichi Int.	5.451
European Investment Bk(t)†	20bn	1995	3	5	99.55	Daiwa Europe	5.167
LUXEMBOURG FRANCS							
Wereldhave Int.★★†	750	1997	5	9	102.20	BGL	8.443
Banque UCL★★†	1bn	1994	2	10	102.15	Banque UCL	8.781
Sparkassen Bikuben(l)†	750	2002	10	9	102.15	KBL	8.670

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate notes. ♦Variable rate note. †Final terms. a) Exercise premium fixed at 2.63%. Non-callable. b) Exercise premium fixed at 2.55%. Non-callable. c) Conversion premium fixed at 2.51%. Put option 31/3/94 at 107¾% to yield 6.59%. d) Warrant holder able to buy French 8½% 2019 Government Bonds. Exercise premium fixed at 5.87%. e) Fungible with existing FFr750m deal. Non-callable. f) Yankee issue. Coupon payable semi-annually. g) Exercise premium fixed at 2.55%. Non-callable. h) Put option 20/3/95 at par. Coupon payable semi-annually. i) Fungible with existing L500bn deal. Callable from 1999 at 100¾%. j) Coupon pays 55bp over 6-month Libor. Non-callable. k) Put option 20/9/94 at 106⅝% to yield 6.89%. l) Subordinated issue. Non-callable. m) Matador issue. Non-callable. n) Coupon pays 6-month Libor + 40bp. Non-callable. o) Fungible with existing L100bn deal. Non-callable. p) Subordinated issue. Non-callable. q) Exercise premium fixed at 2.61%. Non-callable. r) Exercise premium fixed at 2.5%. Non-callable. s) Coupon payable semi-annually. Non-callable. t) Fungible with existing Y60bn. Non-callable. Note: Yields are calculated on ISMA basis.

WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Mar 6	Mar 5	Mar 4	Mar 3	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3221.60	3241.50	3268.56	3290.25	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	98.95	99.05	99.19	99.34	99.81 (6/2)	98.56 (24/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1413.12	1437.97	1455.72	1457.40	1467.68 (20/2)	1342.12 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	202.55	203.37	203.62	204.43	225.59 (3/1)	202.55 (6/3)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3262.97 (3283.54) Low 3204.61 (3226.74)

STANDARD AND POOR'S

	Mar 6	Mar 5	Mar 4	Mar 3	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	404.44	406.51	409.33	412.85	420.77 (15/1)	404.44 (6/3)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	481.54	484.10	487.19	491.59	499.27 (15/1)	481.54 (6/3)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	33.87	34.06	34.54	34.83	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	223.79	224.92	226.66	228.43	231.85 (15/1)	223.79 (6/3)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	407.95	410.24	413.39	415.49	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	615.95	621.97	630.29	634.25	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Feb 28	Feb 21	Feb 14	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.78	2.82	3.45

	Mar 4	Feb 26	Feb 19	year ago (approx.)
S & P Industrial div. yield	2.61	2.57	2.60	2.19
S & P Indl. P/E ratio	28.61	29.03	25.03	17.77

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Glaxo	2,727,800	26⅞	-⅛
Citicorp	2,304,300	16	-½
Chrysler	2,264,600	16¼	-½
Conner Per	2,203,500	19⅞	-⅛
Telefonos	2,161,700	55	-⅞
USX-Marathon	2,127,400	22¼	+⅜
Limited	1,903,100	27⅛	-¾
Exxon	1,869,400	55⅝	----
IBM	1,812,200	86½	-¼
Am Express	1,548,500	21⅝	+¼

TRADING ACTIVITY

† Volume Millions	Mar 6	Mar 5	Mar 4
New York SE	185.040	205.730	206.770
Amex	12.620	13.896	16.194
NASDAQ	(u)	221.917	212.963
NYSE			
Issues Traded	2,219	2,214	2,218
Rises	610	472	617
Falls	1,087	1,267	1,045
Unchanged	522	475	556
New Highs	31	42	86
New Lows	31	32	20

CANADA

TORONTO	Mar 6	Mar 5	Mar 4	Mar 3	1992 HIGH	1992 LOW
Metals & Minerals	3070.09	3093.68	3109.33	3115.70	3238.87 (16/1)	2935.22 (2/1)
Composite	3530.84	3545.55	3587.64	3576.79	3666.00 (16/1)	3493.66 (2/1)
MONTREAL Portfolio	1846.08	1855.97	1885.25	1877.49	1937.59 (16/1)	1846.08 (6/3)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 6	Mar 5	Mar 4	Mar 3	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1604.7	1608.3	1615.2	1621.7	1675.60 (15/1)	1590.90 (7/2)
All Mining (1/1/80)	701.7	701.2	705.2	704.0	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	444.57	453.65	454.49	449.71	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	1062.07	1086.39	1090.32	1079.80	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1215.02	1222.57	1233.25	1234.72	1234.72 (3/3)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	344.01	343.39	345.58	344.59	365.29 (15/1)	343.39 (5/3)
FINLAND						
HEX General (28/12/90)	861.3	872.2	882.0	888.5	935.90 (24/2)	779.00 (2/1)
FRANCE						
CAC General (31/12/82)	527.26	529.15	530.55	527.68	530.55 (4/3)	475.53 (2/1)
CAC 40 (31/12/87)	1966.91	1973.04	1988.09	1983.77	1988.09 (4/3)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	711.73	714.36	714.97	715.44	715.44 (3/3)	643.26 (8/1)
Commerzbank (1/12/53)	2016.2	2024.1	2025.7	2026.7	2026.70 (3/3)	1813.80 (8/1)
DAX (30/12/87)	1745.95	1764.80	1759.05	1763.31	1764.80 (5/3)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4908.90	4964.29	4954.50	4911.13	4964.29 (5/3)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1419.21	1425.75	1430.91	1426.00	1469.57 (17/1)	1391.49 (8/1)
ITALY						
Banca Com. Ital. (1972)	514.87	520.44	525.70	529.42	551.59 (6/2)	507.43 (2/1)
MIB General (2/1/87)	1013.0	1026.0	1036.0	1042.0	1086.00 (5/2)	981.00 (2/1)
JAPAN						
Nikkei (16/5/49)	20992.99	20864.42	21105.42	21051.71	23801.18 (6/1)	20618.30 (19/2)
Tokyo SE (Topix) (4/1/68)	1520.45	1523.73	1537.22	1542.43	1763.43 (6/1)	1520.45 (6/3)
2nd Section (4/1/68)	2278.17	2286.23	2305.14	2323.65	2459.85 (6/1)	2278.17 (6/3)
MALAYSIA						
KLSE Composite (4/4/86)	590.94	593.93	598.64	597.83	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	293.7	294.6	295.1	294.4	295.10 (4/3)	274.00 (8/1)
CBS All Shr (End 1983)	206.3	206.9	207.2	206.7	207.20 (4/3)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	696.23	699.46	700.62	698.25	748.03 (17/1)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1118.81	1157.61	1159.98	1157.46	1303.30 (17/1)	1118.81 (6/3)
SINGAPORE						
SES All-Singapore (2/4/75)	388.79	391.64	392.29	390.49	416.99 (21/1)	388.79 (6/3)
SOUTH AFRICA						
JSE Gold (28/9/78)	1197.0§	1197.0	1193.0	1218.0	1327.00 (21/1)	1119.00 (2/1)
JSE Industrial (28/9/78)	4346.0§	4347.0	4334.0	4374.0	4535.00 (15/1)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	626.09	619.23	630.47	615.92	691.48 (8/2)	604.63 (15/1)
SPAIN						
Madrid SE (30/12/85)	261.97	262.98	266.00	265.55	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	983.2	980.6	974.0	961.3	989.20 (20/1)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	808.5	814.7	817.5	812.0	817.50 (4/3)	748.50 (8/1)
SBC General (1/4/87)	643.0	647.9	650.1	650.1	650.10 (3/3)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4988.08	5033.53	5066.40	5056.64	5391.63 (30/1)	4692.17 (6/1)
THAILAND						
Bangkok SET (30/4/75)	807.65	800.85	793.16	788.52	816.50 (17/2)	711.81 (3/1)
WORLD						
M.S. Capital Intl.(1/1/70) (§)	500.8*	502.0	507.6	510.8	542.10 (7/1)	500.80 (6/3)
Euro Top-100 (26/6/90)	932.79	937.36	942.27	943.20	943.20 (3/3)	870.31 (2/1)

**Saturday February 29: Taiwan Weighted Price: 5142.42. Korea Comp Ex. 612.50.
§ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday March 6 1992

	Stocks Traded	Closing Prices	Change on day
Okamoto	17.0m	1,280	+60
Meiji Milk	7.1m	990	-30
Tsugami	6.0m	740	+5
Mochida Pharm	4.9m	4,000	-160
Mitsu Kakoid	4.5m	920	-40
NKK	4.0m	304	-1
Hitachi	3.9m	777	-25
Bank Yoko hama	3.5m	1,170	+20
Nippon Steel	3.4m	331	-5
Dainippon Ph	2.8m	1,900	-70

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AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Managers Limited (1000)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB American	5	119.3	120.7	127.0	0.00	40591
AIB Equity ♦	5	170.4	172.2	182.3	1.22	40593
AIB European	5	137.5	139.4	146.7	0.85	40594
AIB Gilt	3	70.10	70.12	72.29	6.88	40595
AIB Japan	5	119.5	120.8	127.1	0.00	40596
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
Gilt & Fixed Int	6	117.1	117.1xd	124.2	8.35	40001
High Inc Equity	6	125.1	128.0	136.3	6.25	40002
Worldwide Bond	6	220.6	220.6xd	233.9	6.08	40003
Capital Growth						
American Growth	6	214.9	214.9	229.8	.94	40004
Asian Pacific	6	139.1	142.1	151.1	1.26	40005
Assets & Earnings	6	184.2	184.2	197.0	3.18	40006
Capital Reserve Acc	0	113.2	113.2	113.2	7.93	40007
Capital Reserve Inc	0	83.74	83.74xd	83.78	7.93	40580
Commodity & Energy	6	68.15	68.15xd	72.88	2.41	40008
1992 Enterprise	6	67.40	67.40	72.08	2.96	40597
Euro Capital Acc	6	91.50	91.50	97.86	2.06	40009
Euro Capital Inc	6	87.42	87.42	93.49	1.07	47981
General	6	168.1	168.1xd	179.7	3.23	40010
Japan	6	83.90	83.90	89.73	–	40011
Mastertrust	6	89.93	89.93	96.18	2.47	40012
Brewin Dolphin Unit Tst Mgrs Ltd (0905)F						
5 Giltspur St, London EC1A 9DE 071-236 6441						
Dolphin Special Sits	5½	122.1	122.1	130.5	3.20	40177
Dolphin Dividend	5½	56.37	56.37xd	60.28	5.95	40178
Dolphin Int Gth & Inc	5½	158.8	158.8	169.8	4.62	40179
Dolphin UK & Gen	5½	37.01	37.13xd	39.71	2.13	46464
Dolphin Fund of Funds	5½	48.00	50.15	53.63	1.19	46640
Britannia Life Unit Managers Ltd (1200)F						
190 West George St, Glasgow G2 2PA 041-332 3132						
Balanced Growth	6	78.54	79.79	85.33	3.00	40027
Do (Accum)	6	84.12	85.45	91.39	3.00	40028
Service Cos	6	65.85	65.85	70.43	2.26	40030
Manulife Management Ltd (1200)F						
St George's Way, Stevenage Dealing: 071-256 5858						
Growth Units	5¼	131.7	131.7	141.6	3.70	40905
Gilt & Fxd Int	5	152.1	152.1xd	161.1	8.02	40906
Intl Growth	5¼	147.8	147.8	158.3	0.50	40908
North American ♥	5¼	110.9	110.9	119.2	0.50	40910
Far East	5¼	130.5	130.5	139.6	1.31	40911
UK Smaller Cos	5¼	105.8	105.8	112.6	2.22	40909
European	5¼	54.65	54.65	58.22	0.74	40912
Japanese Growth	5¼	31.17	31.17	33.30	0.00	47786
Managed P'folio	5¼	48.90	48.90	52.32	1.49	47787
N&P Unit Trust Management Ltd (1200)F						
35 Fountain St, Manchester M2 2AF 061 237 5322						
N&P UK Growth	5	57.84	58.11	61.82	3.72	40706
N&P UK Income	5	81.25	82.26	87.92	5.55	40707
N&P Gilt & Fixed Int	5	65.24	65.24xd	69.04	8.42	40708
N&P Higher Income	5	143.40	143.40	152.20	6.77	40709
N&P Smaller Co's	5	57.36	59.01	63.12	2.70	46300
N&P International	5	73.71	73.71	78.84	2.65	40710
MGM Unit Managers Ltd (1000)F						
MGM House, Heene Rd, Worthing Dealing: 0277 261010 Enq: 0903 204631						
High Income	5	227.0	229.3	243.9	6.67	40087
(Accum Units)	5	368.1	372.0	395.7	6.67	40418
UK Growth	5	283.4	285.9	304.1	4.51	40088
(Accum Units)	5	342.2	345.2	367.2	4.51	40419
Int Equity Gth ♦	5	48.81	49.04	52.17	0.98	40089
Intl Bond	5	54.82	54.82	57.55	7.27	40090
Special Sits Gwth	5	14.84	15.3xd	16.34	4.33	40091
North American Gwth	5	73.10	73.40xd	78.08	0.73	40092
European Growth ♦	6	52.00	52.22	55.55	1.19	40104
MW Investment Managers Ltd (0659)F						
4b Court St, Haddington, E. Lothian 062 082 5867						
MW Joint Investors	0	1102.3	1102.3	1127.6	4.29	40835
Maldon Unit Trust Managers Ltd (1400)F						
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242						
Maldon General	0	103.9	103.9xd	107.1	5.43	46659

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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Standard Life Tst Mgmt Ltd (0629)H

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)H

Target Trust Mngrs Ltd (1200)F

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Timberlake Trust Mngrs Ltd (0900)F

Trades Union Unit Tst Mngrs (1200)H

United Charities Unit Trusts (1000)H

Waverley Unit Tst Mngt Ltd (1000)F

Wessex Asset Management (1600)F

Whittingdale Unit Tst Mgmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

Abbey Life Assurance Co Ltd

AEGON Life Assurance Co (UK) Ltd

AEtna Life Assurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc—Contd.

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Ltd

Britannia Life Assurance

Canada Life Group

Cannon Assurance Ltd

CCL Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration(z)

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Interlife Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Legal & General

Life Association of Scotland

Lifetime Assurance Co Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

MGM Assurance

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Continued on next page

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline, call 0891 123456. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Unit Trust Code Booklet call 071-925-2128

	Bid Price	Offer Price	Yield Gross	City-line
CMI Fund Managers (IoM)				
Clerical Medical Hse, Douglas, IoM 0624 625599				
High Income 5	0.4886	0.5144	10.2	47293
CMI Core Portfolio Fund				
UK 5	£- 1.0116	1.0832	-	47540
USA 5	$- 1.0787	1.1428	-	47541
Japan 5	6- 0.5719	0.6058	-	47539
Equity & Law Intl Fund Mngrs Ltd				
Victory Hse, Prospect Hill, Douglas IoM 0624 677877				
Total Income Fd .. 5	94.78	94.78xd 99.76	10.2	41566
Gartmore Fund Managers (IoM)				
PO Box 32, Douglas, IoM 0624 627610				
Intl Grth 5¼	501.3	501.3 535.4	0.9	45095
Leopold Joseph Fund Mngrs (IoM) Ltd				
PO Box 52 Athol St Douglas IoM 0624 661020				
L.J. International .. 5¼	94.90	94.90 102.14	-	46804
Mercury Fund Managers IoM Ltd				
11 Hill Street, Douglas IoM 0624 662255				
Merc IoM Fund .. 5	104.9	104.9 111.9	7.4	45970
Merc Intl Bond .. 5	54.26	54.26 57.02	8.7	45971
Sun Life Management (IoM) Ltd				
PO Box 178 Douglas, IoM 0624 622444				
Secure High Income .. 6	1.0252	1.0252 1.1010	8.17	47486
Unibank Scandinavian Fund Ltd				
23 Bucks Road Douglas, IoM 06246 26484				
Scandinavia Fd .. 5	-	139.40xd 148.63	1.0	45223

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	Yield Gross	City-line
CMI Fund Mngrs (IOM)				
Traders Fund Ltd H*	517.39	18.80	-	46369
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income			$15.39	15.862	4.06	44895
Capital			$23.64	24.359	5.50	44894
*Offer price includes 3% prelim. charge						
International Income Fund						
Eurobd Long Term*			$33.17	34.6828	4.87	44892
* Offer Price includes 3½ % Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Mar 5 C$12.55xd						
First Aust Prime Inc Inv Co Ltd NAV Mar 5 US$10.55xd						
NAV Diluted to reflect exercise of all Wrnts C$12.25xd US$10.31xd						
Fidelity Investment (CI) Ltd						
Sterling American			£2.488	2.619	-	44979
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Fleming Concord Fund						
European			£6.59	7.03	-	44876
Far Eastern			£4.66	4.96	-	44910
North American			£9.20	9.78	0.12	44913
Sterling Bond			102.24	107.62	10.04	45748
UK Growth			287.98	306.04	0.98	45756
Other Fleming Funds						
Sterling Deposit			387.60	388.10	0.06	45759
Global Portfolio Fd £			£6.29	6.80	0.56	45751
Global Portfolio Fd $			$10.82	11.70	0.56	45752
Deutschland Inv Co NAV			DM16.08		-	45896
Robert Fleming Management (Bermuda) Ltd						
Gold			$10.80	11.37	-	45753
Save & Prosper						
Fixed Interest Funds						
Japan Inc & Gwth			Y2,048	2,167	4.11	45747
Equity Funds						
Insurance Managed			58.76	9.24	-	45758
Foreign & Colonial Magmt (Jersey) Ltd						
Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.60		-	45005
Multicurrency Cash			$16.26		-	45006
Sterling Cash			£11.61		-	45007
US$ Bonds			$14.52		-	45008
Multicurrency Bonds			$19.19		-	45009
Sterling Bonds			£12.86		-	45010

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS AND FOREIGN EXCHANGES

Awaiting the Budget

THE dollar is expected to continue strong this week, but Tuesday's UK Budget will focus attention on an uneasy trend in sterling, *writes Neil Buckley*.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The dollar should open strongly, buoyed up by the 164,000 rise in US non-farm payrolls announced on Friday, while satisfactory news on retail sales figures next Thursday and on producer prices index on the following day could take it higher.

It faces a technical barrier at DM1.6825, but if this is crossed, it could head for DM1.70.

Some economists, however, see a possible change of tack by the market.

"People have wanted to buy dollars on strong US numbers. But if anything, the numbers we are seeing out of Germany are just as strong," said Mr Nick Parsons, treasury adviser at CIBC.

German factory orders have risen along with production, and unemployment has fallen. Mr Parsons predicts that the D-mark could receive a boost if this week's statistics on machinery orders, trade figures and wholesale prices are well received.

In the UK, the market will be hoping that Mr Norman Lamont, the chancellor, can balance prudence with a vote-winning Budget. Most estimates are for a tax-cut give-away of £2bn-£4bn.

A base rate cut, however, looks unlikely following the weakness of sterling last week. If the Budget fails to please the markets and the electorate, then sterling could again come under pressure.

Dealers say sterling is vulnerable on the downside, with technical support likely at DM2.8650, but a long drop to the next likely intervention level at DM2.8280. If the Budget is followed by the announcement of a general election, they warn of a period of great volatility, with sterling ready to tumble at any indication of weakening Conservative support.

£ IN NEW YORK

Mar.6	Close	Previous Close
£ Spot	1.7185-1.7195	1.7170-1.7180
1 month	0.92-0.90pm	0.92-0.90pm
3 months	2.57-2.54pm	2.58-2.55pm
12 months	8.32-8.22pm	8.35-8.25pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

Mar 6	Bank of England Index	Morgan Guaranty Changes %
Sterling	89.9	-21.4
U.S Dollar	65.2	-13.2
Canadian Dollar	101.4	-1.3
Austrian Schilling	109.8	+12.2
Belgian Franc	111.5	-1.9
Danish Kroner	108.7	+2.9
D-Mark	128.0	+24.7

OTHER CURRENCIES

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
Denmark	6.4525 - 6.4950	6.4900 - 6.4950	2.90-3.20oredis	-5.64	8.60-9.20dis	-5.48
Germany	1.6570 - 1.6770	1.6690 - 1.6700	0.77-0.79pfdis	-5.61	2.24-2.26dis	-5.39
Portugal	143.65 - 144.10	144.00 - 144.10	108-113cdis	-9.21	323-335dis	-9.14
Spain	104.50 - 105.60	105.35 - 105.45	72-74cdis	-8.31	210-215dis	-8.06
Italy	1243.00 - 1255.50	1250.75 - 1251.25	8.10-8.60liredis	-8.01	23.40-24.40dis	-7.64
Norway	6.4950 - 6.5675	6.5625 - 6.5675	3.07-3.37oredis	-5.89	9.45-9.95dis	-5.91
France	5.6350 - 5.6975	5.6675 - 5.6725	2.75-2.80cdis	-5.87	8.10-8.20dis	-5.75
Sweden	6.0135 - 6.0825	6.0675 - 6.0725	3.55-3.80oredis	-7.27	10.80-11.25dis	-7.27
Japan	131.00 - 131.95	131.70 - 131.80	0.11-0.12ydis	-1.05	0.17-0.19dis	-0.55
Austria	11.7150 - 11.7710	11.7500 - 11.7550	5.10-5.55grodis	-5.44	14.80-16.00dis	-5.24
Switzerland	1.5030 - 1.5250	1.5170 - 1.5180	0.49-0.52cdis	-3.99	1.37-1.40dis	-3.65
Ecu	1.2200 - 1.2335	1.2225 - 1.2235	0.60-0.58cpm	5.79	1.78-1.72pm	5.72

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

Mar.6	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr	Ecu
£	1	1.719	2.870	226.5	9.745	2.608	3.228	2150.	2.036	59.05	1.404
$	0.582	1	1.670	131.8	5.669	1.517	1.878	1251	1.184	34.35	0.817
DM	0.348	0.599	1	78.92	3.395	0.909	1.125	749.1	0.709	20.57	0.489
YEN	4.415	7.589	12.67	1000.	43.02	11.51	14.25	9492	8.989	260.7	6.199
F Fr.	1.026	1.764	2.945	232.4	10.	2.676	3.312	2206	2.089	60.60	1.441
S Fr.	0.383	0.659	1.100	86.85	3.737	1	1.238	824.4	0.781	22.64	0.538
N Fl.	0.310	0.533	0.889	70.17	3.019	0.808	1	666.0	0.631	18.29	0.435
Lira	0.465	0.800	1.335	105.3	4.533	1.213	1.501	1000.	0.947	27.47	0.653
C$	0.491	0.844	1.410	111.2	4.786	1.281	1.585	1056	1	29.00	0.690
B Fr.	1.693	2.911	4.860	383.6	16.50	4.417	5.467	3641	3.448	100.	2.378
Ecu	0.712	1.224	2.044	161.3	6.941	1.858	2.299	1531	1.450	42.06	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100

EURO-CURRENCY INTEREST RATES

Mar 6	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	$10\frac{1}{2}$ - $10\frac{3}{8}$	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5 - [illegible]
Can. Dollar	$7\frac{1}{4}$ - 7	$7\frac{1}{4}$ - 7	[illegible]	[illegible]	[illegible] - 7	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	$8\frac{1}{4}$ - 8	[illegible]	$8\frac{1}{8}$ - 8	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	12 - 10	12 - [illegible]	12 - [illegible]	12 - [illegible]	12 - [illegible]	[illegible]
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

BRUSSELS			MILAN		
One month	$9\frac{5}{8}$	$+\frac{1}{8}$	One month	$12\frac{3}{8}$	[illegible]
Three month	$9\frac{5}{8}$	$+\frac{1}{8}$	Three month	$12\frac{1}{4}$	[illegible]
AMSTERDAM			DUBLIN		
One month	9.52	-0.02	One month	[illegible]	[illegible]
Three month	9.52	+0.01	Three month	[illegible]	[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

£2,000-£24,999	8.25	6.19	8.51	–
£25,000-£99,999	9.00	6.75	9.31	–
£100,000+	9.50	7.13	9.84	–

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

FINANCIAL TIMES STOCK INDICES

	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Feb 28	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.22	87.42	87.76	88.15	88.28	88.35	88.55	82.17	127.4	49.18
Fixed Interest	100.50	100.79	101.01	101.22	101.33	101.38	101.56	90.59	105.4	50.53
Ordinary	1968.6	1970.6	1988.5	1987.0	1981.2	1983.0	2108.3	1606.3	2108.3	49.4
Gold Mines	128.0	126.5	126.0	130.1	128.9	130.2	222.8	126.0	734.7	43.5
FT Act All-Share	1218.30	1220.33	1228.42	1230.64	1226.46	1229.84	1284.07	987.46	1284.07	61.92
FT-SE 100	2533.1	2538.3	2558.4	2565.4	2554.3	2562.1	2679.6	2054.8	2679.6	986.9
FT-SE Eurotrack 100	1162.10	1169.56	1176.33	1176.44	1169.17	1169.85	1176.44	900.45	1176.44	900.45
FT-SE Eurotrack 200	1182.32	1187.90	1200.08	1198.84	1192.13	1195.15	1200.90	938.62	1200.90	938.62

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
"Shorts" (Lives up to Five Years)								
8pc 1992 ‡‡		$99\frac{1}{4}$	0.1	1,550	Oc13	Ap13	6.8	1337
$10\frac{1}{2}$pc Cv 1992‡‡		100	—	1,280	Nv7	My7	1.18	1289

BRITISH FUNDS - Cont.

	Notes Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
Treas $9\frac{1}{2}$pc 1999‡‡	[illegible]	-1.3	1,450	Jy15	Ja15	7.1	1347
Exch $12\frac{1}{4}$pc 1999	[illegible] xd	-1.2	2,800	Se26	Mr26	18.2	1264
Treas $10\frac{1}{2}$pc 1999	$104\frac{3}{8}$	-1.3	1,252	Nv19	My19	14.10	1288

BRITISH FUNDS - Cont.

	Notes Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
Treas 3pc '66 Aft	$39\frac{5}{8}$xd	-2.2	56	Ap5	Oc5	2.3	1324
Consols $2\frac{1}{2}$pc	[illegible] xd	-2.6	276	5JaApJyOc		2.3	1238
Treas. $2\frac{1}{2}$pc	$25\frac{5}{8}$xd	-2.6	475	Ap1	Oc1	24.2	1315

OTHER FIXED INTEREST

	Price £	Wk % change	Amnt £m	Interest due		Last xd	City line
Int-Am Dev $12\frac{1}{2}$pc 2003	[illegible]	-1.3	75	Ja8	Jy8	7.12	–
$9\frac{3}{4}$pc 2015	$99\frac{1}{2}$	-1.4	175	My15	Nv15	13.18	–
Leeds $13\frac{1}{2}$pc 2006	$118\frac{3}{4}$	-8	48	Ap1	Oc1	12.3	3146
Liverpool $3\frac{1}{2}$pc Irred	$31\frac{1}{4}$	2.5	6	1JaApJeOc		1.6	3169
LCC 3pc '20 Aft	28	—	26	1MrJeSeDe		1.8	–
Manchester $11\frac{1}{2}$pc 2007	$108\frac{1}{4}$	-9	7	Ap25	Oc25	38.3	3275
Met. Wtr. 3pc 'B'	$54\frac{3}{4}$	-5	25	Mr1	Se1	1.8	3361
N'wide Anglia $3\frac{7}{8}$pc 2021	$106\frac{1}{2}$	-2	98	Ja30	Jy30	8.1	3465
$4\frac{1}{4}$pc IL 2024	106	—	60	Fe23	Au23	27.1	–
Utd Mex States $16\frac{1}{2}$pc 2008	$123\frac{1}{2}$	-1.2	50	Mr1	Se1	17.2	–

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

BASE LENDING RATES

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk's change	Div gross	Dividends paid	Last xd	City line
Abbott Labs		35¾xd	−1	$1.20	FeMyAuNv	10.1	1503
♥Allegheny & W		521p	1.9	30c	–	–	–
Amdahl		1654p	−0.4	10c	NvMrJeAu	31.1	–
Amer Cyanamid		38¾xd	5.4	$1.58	MrJeSeDe	4.9	–
Amer Express		12 7/16xd	5.8	$1.00	FeMyAuNv	30.12	1594
Amer T & T		21⅞xd	4.8	$1.32	FeMyAuNv	27.3	1597
Ameritech		34	−7	$3.48	FeMyAuNv	26.3	–
BankAmerica		25⅝xd	3.4	$1.30	FeMySeDe	28.2	1744
Bankers NY		34⅛xd	−4.9	$1.32	ApJyOcJa	27.12	1745
Bell Atlantic		24½xd	−1.0	$2.52	FeMyAuNv	4.7	–
BellSouth		28⅛	−9	$2.76	FeMyAuNv	6.4	–
♥Bethlehem Steel		8⅞xd	5.2	–	MrJeSeDe	6.2	1827
Bowater		1549p	3.2	$1.20	OcJaApJy	6.8	1884
CPC		49½xd	4.3	$2.20	JaApJyOc	27.12	2263
California Engy		753p	3.2	–	–	–	–
Campbell Soup	h	21 7/16	2.4	70c	OcJaApJy	24.12	2050
Chase Manhattan		13xd	−5.9	$1.20	FeMyAuNv	24.1	2109
Chrysler		9¾xd	6.1	60c	ApJyOcDe	11.12	2135
Citicorp		9⅝xd	−2.5	–	–	23.10	2141
Colgate-Palm		26⅞xd	−1.6	$1.80	FeMyAuNv	22.1	2184
Cont'l Bank		909p	−1.5	60c	DeMrJeSe	31.5	–
Dana		21⅛xd	5.6	$1.60	MrJeSeDe	25.2	2306
Data General		683p	0.1	–	–	–	–
Dial		29⅛xd	8.1	$1.40	JaApJyOc	28.2	2778
Dun & Brad		32¼	2.4	$2.18	MrJeSeDe	13.2	–
Eaton		41⅝	1.5	$2.20	FeMyAuNv	2.2	2410
Echlin		9 13/16xd	9.7	70c	JaApJyOc	30.12	3048
FPL		19¼xd	0.7	$2.40	MrJeSeDe	25.2	–
Fluor		24½xd	−1.0	40c	JaApJyOc	10.12	2609
Ford Motor		21⅛xd	4.6	$1.60	MrJeSeDe	28.1	2615

[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	W'k% ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
■Scot National Inc		94xd	−5	8.85	ApJyOcJa	190.1	24.2	3981
■ Cap		30	−6.3					
Stepped Pf	†	191¼xd	0.4	6.26	Sep Mar	19.2		−3960
Zero Div Pf		171½	−.9	—	—	41.9	24.2	3962
Warrants		7	—	—	—	100.6		−3964
Scot Value	a	56½	1.8	1.25	Jan	8.89		−2706
Sec Alliance	†	1183xd	−1.	35.6	Apr Oct	13.2	9.12	—
Second Market	s	227	1.3	1.0	May	228.1	24.2	3874
■Sec Tst Scot	†	88½	−.7	3.1	Jul Dec	227.3	2.4	3876
Select Assets		90xd	—	8.85	Apr	222.6	28.10	3877
Eq Ind Sert		115	—	4.25	JaApJlOc	22.9	24.2	5085
Eq Ind Serll		115	—	4.25	JaApJlOc	28.3	10.1	4903
Shires	†	225	0.4	17.8	ApJyOcJa	24.4	10.1	5085
11pc Cv Ln '03/04		£115½xd	1.0	011%	Sep Mar	51.9	9.12	4814
Stem Select		88	—	1.0	Jul	24.2	24.2	4012
Warrants		19	—	—	—	18.2		−1387
■Smaller Cos		79xd	1.4	2.5	Apr Oct	9.57		−7379
Warrants		13	—	—	—	11.9	24.2	3600
■Sphere Inc		18½	−2.9	3.87	MyAuNvFe	8.39		−3689
Zero Div Pf		68½	—	—	—	20.8	27.1	4276
Warrants		8¾	—	—	—	72.7		−5227
Stratton		168	—	1.86	Jun	8.09		−5078
Sumit		42	−16.0	1.25	May	18.9	3.6	4128
■TR City of Lon	M	186½	−5	4.75	FeMyAuNv	3.81	11.3	4132
■TR Euro Growth	s	88	1.1	1.0	Oct	283.7	27.1	4271
Ptg Sub	s	52	—	1.0	Oct	32.3	16.9	4880
■TR Far East Inc		88xd	—	4.2	ApJyOcJa	1.89	16.9	—
Warrants		14	—	—	—	48.9	24.2	4209
TR High Inc		90	1.0	5.6	MrJyOcJa	1.29	—	—
Sub	0	31	—	1.5	Jul	21.4	30.12	2887
■TR Pacific	s	83	—	0.25	Apr	8.89	1.7	2936
■TR Prop		24½	4.3	1.45	Jan Jul	56.6	11.3	4091
■TR Smaller		132	−2.9	3.7	Mar Sep	89.7	9.12	4282
■TR Technology	M	37	5.7	1.75	Aug	285.2	10.2	4285
Stepped Pf		64	—	5.61	Dec Jan	16.3	15.7	4282
[illegible]						41.4	11.11	[illegible]

MERCHANT BANKS - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
■Hambros	†	275	−1.1	12.8	1.9	Jan Aug	9.12	2872
7½pc Cv Pf		113xd	—	7½%	—	Apr Oct	24.2	4588
Joseph (L)		328	—	15.85	—	Jan Sep	30.12	3089
■Kleinwort Benson		289	2.3	16.0	♦	May Oct	12.8	3182
■Rea Bros		29	—	0.5	2.5	May Oct	2.9	3785
Schroders	†	1084	0.2	14.8	3.6	Nov May	30.9	3939
N/V	†	943	—	14.0	3.6	May Nov	30.9	3941
■Singer & Fried		45	15.4	2.5	♦	Nov May	16.9	4628
■Warburg (SG)	†	545	−3.0	10.8	2.8	Jul Dec	25.11	4425
8pc Cv Pf		182xd	−2.7	8%	—	Mar Sep	24.2	4426
Wintrust		222xd	—	9.3	3.6	Sep Mar	24.2	4524

METALS & METAL FORMING

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividend paid	Last xd	City line
■ASW		136	−1.4	9.0	♦	May Nov	16.9	5884
✣Apollo Metals		140	—	3.45	3.1	Jan Jul	9.12	1480
Ash & Lacy		148	—	8.4	2.1	Nov May	14.10	1683
■Barrett (H)		34	—	2.8	0.4	Feb Jul	20.5	1757
■Baum (J)		108	28.6	4.29	♦	Oct Jan	30.9	1828
■Brasway		15½	—	0.51	1.0	Mar Oct	30.12	1930
■Brit Steel		73½	2.1	8.75	—	Aug Jan	25.11	3317
Bromsgrove	M	184	−1.0	4.0	3.1	Feb Aug	30.12	1974
■CI		24	—	2.85	2.0	Jul Jan	11.11	2138
Castings	†	128	—	3.22	3.6	Jan Aug	9.12	2078
Chamber & Hill		95	—	5.75	2.9	Jul Dec	25.11	2108
Clayhithe	M	38	−5.0	2.5	2.0	Feb Jul	30.12	2169
9½pc Cv 2000-1		£97½	—	9½%	—	May Nov	28.10	2794
Cohen (A)		355	−5.3	23.1	0.6	Feb Aug	9.12	2181
Cook (Wm)	†	270	−1.1	14.0	2.4	Jan Oct	25.11	2232
■Cooper (F)		56	−3.5	4.5	0.4	Jul Feb	30.12	2235
Cronite		31	—	—	—	—	1.91	2280
Downiebrae		39	—	1.8	2.2	Jul	20.5	2379

MISCELLANEOUS

MEDIA

MERCHANT BANKS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividend paid	Last xd	City line
‡‡Kells Mnls IE		36	—	−	−	−		−3741
✣Kenmare		4¾	−13.6	−	−	−		−1453
‡‡Navan Res IE		26	—	−	−	−		−1165
Northgate Expl C$	s	44	−1.1	−	−	−	10.77	−
North West Expl A$		3	50.0	−	−	−	−	−
Oryx Gold $		79½	1.3	−		−		−3606
‡‡Ovoca Gold IE		10	—	−	−	−		−1478
Plateau		9	−5.3	−	−	−		−3487
■RTZ		639	−2.4	19.5	1.7	Dec Jul	16.9	3880
✣Vizcaya		2	—	−	−	−		−4193
¥Western & Pac C$		12⅞	—	−	−	−	−	−
✣Young Grp		45	15.4	5.2	1.8	May Oct	2.9	5880

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ¥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend, cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax.

z Dividend includes a special payment: Cover does not apply to special payment. E Minimum tender price. F Dividend based on prospectus or other official estimates for 1990-91. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1991. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1991-92.

N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service.

Additions: Exeter Prfd. Capital and Zero Deb. 2002 (Section: Inv Trusts); Perstorp (Chemicals).

Deletions: Hall (J) (Brewers & Distillers); Arrow Perkin., Com-Tel Res. and Ultramar (Oil & Gas); CountyGlen (Property); Arboyne and Jason Mining (Mines).

4:00 pm prices March 6

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.1	17	253	15⅛	14⅞	15¼	
28	20⅝	A L Labs A	0.16	0.7	24	160	23	22¼	22⅜	−⅜
68¾	58⅛	AMP Inc	1.52	2.5	25	958	62	60⅞	61⅝	−½
80¼	68¾	AMR			26	4378	78⅝	75½	75½	−2⅞
2⅛	1⅝	ARX			2	76	2⅛	2	2	
53½	46¼	ASA	2.75	6.0	13	402	46⅞	d45⅞	46⅛	−⅝
68¾	60¾	Abbott Lab	0.60	1.0	23	6665	61⅝	d59¼	59¼	−1⅛
13½	12⅛	Abitibi Pr	0.43	3.3	27	82	13	13	13	+⅛
11⅝	10½	ACM Gvt In	0.96	9.1		166	10⅝	d10½	10½	
10⅜	9⅛	ACM G/Opp	0.80	8.5		79	9½	9⅜	9⅜	
9½	8⅝	ACM Gvt Se x	0.80	9.1		364	8¾	d8⅝	8¾	+⅛
11¼	10½	ACM Gvt Se x	0.96	9.1		90	10½	10⅜	10½	
9⅜	8⅝	ACM Mgn	0.95	10.0		390	9¼	9⅛	9¼	
12⅞	10⅞	ACM Managd	1.08	9.5		221	11⅜	11¼	11⅜	+⅛
10⅛	7	Acme Cleve	0.40	4.2	18	101	9¼	9⅝	9⅝	
5⅞	4½	Acme Elect			4	116	u5⅞	5¼	5⅞	+⅛
33¼	20⅛	Acuson			12	1404	20¼	d20⅜	20⅜	−⅜
19⅞	18½	Adams Expr	0.48	2.6	0	22	19⅛	19	19	
15½	13	Adobe12Pf	2.40	16.7		63	14½	14⅜	14⅜	−¼
5⅞	4½	Adobe Res			2	65	5⅛	5	5	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices March 6

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
OMI Corp	0.14	7	220	6¾	6⅝	6⅝	
Pall Corp	0.38	28	2122	27⅞	d26½	26⅞	-⅞
Pegasus G	0.10	36	189	13½	13¼	13⅜	-⅛
Perini		51	159	13⅞	13¼	13⅞	+⅝
Pet Ht&P	0.31	8	35	11¼	11⅛	11¼	+⅛
Phil LD	0.25	14	574	34⅜	33⅝	33⅞	-⅞
Pitway A	1.10	13	36	31½	30⅞	31⅜	-⅛
Ply Gem	0.12	27	105	10⅞	10½	10¾	
PMC	0.62	16	4	10⅝	10⅜	10½	+⅛
PresidioA	0.10	2	70	2⅞	d2¾	2⅞	
Price Com		0	28	1/16	¼	1/16	+1/16
RB&W Cp		3	28	4	3⅞	4	+⅛
RiedelEnv		2	122	3½	3⅜	3½	+¼
SJW Corp	1.98	10	11	31⅛	31⅛	31⅛	-⅛
SthnUnion		42	11	15¾	15¾	15¾	+¾
Sterl El		16	80	4⅞	4¾	4¾	-¼
TIE Ind		2	51	2⅛	2	2	-⅛
Tab Prods	0.40	267	59	13⅜	13	13⅜	+⅜
Tel&Data	0.32	62	298	37¾	37	37	-⅝
Thermedcs		118	175	10¾	10½	10½	
Thermoins		23	275	22¼	22	22	
Total Pet	0.40	30	39	10	9⅞	9⅞	
TownCntry		1	71	2⅝	2½	2⅝	+⅛
Tubos Mex		1	2234	8¼	d7⅝	7⅝	-⅝
UnFoodsA		4	2	1⅝	1⅝	1⅝	
UnFoodsB		74	3	1½	1½	1½	-⅛
UnivPtnts		30	83	12⅝	12	12⅝	+⅛
US Cellul		36	187	23¾	23⅛	23½	-⅛
Vivigen		27	80	12⅞	d12½	12¾	
WangLab C		2	13	8⅞	8⅝	8⅝	-⅛
WangLab B		2	4984	6⅝	6⅜	6⅜	
Westherld		20	580	4¾	4⅛	4¼	+⅛
Wstamer	0.48	9	22	20½	19⅞	19⅞	-½
WIRET x	1.20	14	65	12⅞	12¾	12⅞	-⅛
Worthen		10	45	21¼	21	21⅛	+⅛
Xytronix		18	158	15	14⅛	14⅛	-½

NASDAQ NATIONAL MARKET

4:00 pm prices March 6

[illegible]

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		28	1189	28	27¼	27½	-¼
Xoma Corp		12	4416	23¼	21⅜	22¼	-½
Yellow Fr	0.94	32	760	31⅝	31⅛	31⅛	-¼
York Rsch		48	1670	5⅝	5⅜	5⅝	-⅛
ZionsUtah	1.44	9	660	48½	47¼	47¼	

MONDAY PROFILE

Musketeer who prefers obscurity

Philip Stephens on Mr Richard Ryder, the government chief whip

If he appears on your television screen during the general election, it will be no more than a fleeting glimpse. He will be at the heart of Prime Minister John Major's campaign, but outside his constituency you will neither see nor hear him pressing the case for a fourth Tory term.

Mr Richard Ryder is one of the most powerful figures in the Conservative party. Quite consciously he is, and intends to remain, among the least well known.

Mr Ryder is government chief whip. His role, simply, is that of party manager. He is the man charged with doing the prime minister's bidding at Westminster; the agent who ensures that the Tory troops are kept loyally in line; and the impresario for the government's "floor show" in the chamber of the House of Commons. He is all of that, and then more.

In his 15 months in the job – he was one of the Treasury mafia rewarded for his role in Mr Major's leadership bid – he has emerged as campaign strategist, prime ministerial confidant, and cabinet fixer-in-chief. If the Conservatives win, he could claim a prize Whitehall department. Mr Ryder wants, instead, to stay on as chief whip.

His politics and personality are a puzzle. For all his influence, there is only handful at Westminster that knows the man well or feels sure of his political outlook.

The son of a country squire, a friend says he fits the Boy's Own image of an English gentleman – "diffident and proper, but shrewd and tough when it matters". He is courteous but unforgiving of disloyalty; self-deprecating but always determined to win.

The chief whip is both liked and feared by his charges on the backbenches, and respected by the team of a dozen junior whips. But ask one to pin a political label on Mr Ryder and the response is a vague circumlocution ending in the phrase: "Well, you know I'm not quite sure."

Mr Ryder chose long ago not to wear his brand of Conservatism on his sleeve. Unusually in an age of pushy politicians, the adjectives most frequently applied to him are circumspect, discreet, tactful and taciturn.

It is a mistake, however, to think that he does not have views. At barely 43, he has been in politics for nearly two decades, working for six years in Mrs Margaret Thatcher's office before beginning a steady, if initially unspectacular, rise through the ministerial ranks after entering parliament in 1983.

A friend recalls Mr Ryder's bubbling enthusiasm before the 1979 general election, when he promised that, at last, Mrs Thatcher would lead a government that "changes things". A guest at a recent lunch said he was as interesting as any on the future of a different brand of Conservatism in the 1990s.

His outlook is unconventional. He has fused an upbringing in insular, rural Suffolk with a deep enthusiasm for the distinctly less feudal culture of North America. The result is a political perspective not slotted easily into traditional Tory pigeonholes.

As the MP for Mid-Norfolk he has preserved his ties with East Anglia. Yet he is anti-establishment, disparaging the class-conscious England that others might argue has survived longer in that part of the country than elsewhere.

A Cambridge historian, he does not blame socialism for Britain's long-term economic decline. Instead he traces it to the cultural snobbery which led 19th-century entrepreneurs to forsake industry for the quiet gentility of the country.

He combines his enthusiasm for the enterprise culture on the other side of the Atlantic with more conventionally English attitudes to social welfare. He dislikes intensely the residual racism in sections of the Conservative party. He has a habit of reminding those who assume the superiority of European over American culture, of the millions who were slaughtered in Hitler's Germany.

A pragmatist rather than ideologue, his present role suits him. It is that of the backroom mechanic and tactician, the mediator and, from time to time, the dictator.

The chief whip is at the political centre, brokering cabinet deals before selling them to the party at Westminster. But the slight figure with an almost schoolboyish appearance is never called from his privileged seat on the government front bench to speak at the Commons Despatch Box. As chief whip he can cite tradition when he politely declines requests for newspaper interviews.

His style is that of his political master. He is ready to listen carefully to the concerns of jittery MPs. But once his mind is made up, he demands absolute loyalty. As one charge puts it: "He has a light touch... most of the time." A senior colleague is less tactful:

Robin Allison Smith

He is courteous but unforgiving of disloyalty

"He is the toughest of us all."

When Mr Ryder took over the whips' office in November 1990, the party's MPs were in disarray.

They had just ousted their leader. They were bitterly divided over Europe and were more than half-convinced that they were about to lose the general election. They had chosen as prime minister a man from the back streets of Brixton in south London, with a fraction more than three years' experience in the cabinet.

Mr Ryder was even less well known. A former junior whip, under-secretary at agriculture and middle-ranking Treasury minister, his principal claim to fame was some skilful public presentation during a scare about salmonella in eggs.

At the Treasury he is remembered as sharp and insightful, although one mandarin says: "He hardly made an impact on economic policy." He did, though, cement his friendship with Mr John Major, another East Anglian MP with whom he had shared a spell in the whips' office.

Few, therefore, were surprised when Mr Ryder was given the task of healing the party's self-inflicted wounds and reuniting it behind the new prime minister.

Less that 18 months on, the government backbenches are scarcely recognisable. They are still prone to the occasional bout of jitters. Resentments burn among the old guard over the way in which their former leader was dumped. But the blind panic that engulfed Mrs Thatcher has been replaced by carefully organised calm.

The poll tax, the flagship of the third term, was sunk with barely a ripple. The scores of MPs whose antipathy towards Europe once threatened to tear the party apart were reduced by the time of December's Maastricht summit to an isolated handful of diehards. Mr Major's consensual style was vital, but Mr Ryder still gets much credit for transforming a rabble into something akin to the old Tory party.

It took time and energy. In spite of bouts of ill health he works ferociously hard. From a spacious but spartan room adjoining the members' lobby of the Commons and from the rather more grand surroundings of Number 12 Downing Street he typically works 15 hours or more a day. His private passions – modern painting, jazz and Ipswich football club – have been put temporarily on one side.

Like most of life's natural "fixers" Mr Ryder puts a premium on organisation and on personal contact. His formal lines of communication are supplemented by a personal network of friends and agents. At weekends, he spends much of his time on the telephone.

He is the founder of the now famous "four musketeers", the small Downing Street group which has spent most of the past year planning Mr Major's election campaign.

It was Mr Ryder who first detected the dangerous drift into which the government slipped early last summer. He suggested regular meetings to integrate the party's control of the Whitehall machine with the political imperative of winning the election. Ministers, he told friends, needed to be reminded that they were politicians as well as policymakers.

Since then he has been joined by Mr Chris Patten, the party chairman, Mr John Wakeham, the minister charged with government presentation, and Mr John MacGregor, the leader of the House of Commons, for daily breakfast meetings at Number 12.

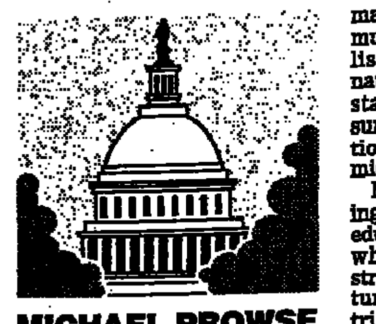
More recently, he has synchronised the Conservative onslaught against Labour with the government's control of the parliamentary timetable. It has been no accident that the party's daily press conferences attacking opposition policies have coincided with Westminster debates on the same themes.

As a friend puts it: "He is more determined than any of us that we are going to win." So during the election campaign proper he will spend most of his time at Conservative Central Office: fixing, calming nerves, knocking heads together – and keeping out of camera shot.

PERSONAL FILE

- **1949** Born Suffolk. Educated Radley and Magdalene College Cambridge.
- **1971** Chairman of Cambridge University Conservative Club.
- **1975-81** Political secretary to Mrs Margaret Thatcher.
- **1983** MP for Mid-Norfolk.
- **1986-88** Junior whip.
- **1988-89** Parliamentary under-secretary for agriculture.
- **1989-90** Economic secretary to the Treasury.
- **1990** Paymaster general.
- **1990** Chief whip.

The economics of a Democratic victory



MICHAEL PROWSE on America

It would be a mistake to exaggerate the economic merits of Governor Bill Clinton and former Senator Paul Tsongas, the front-runners for the Democratic presidential nomination. But if either ended up in the White House, the US economic outlook could brighten noticeably.

After a decade of divided government, control of Congress and the White House by the same party would offer great advantages. In recent years, crippling federal deficits have partly reflected deep disagreements over the appropriate level of taxes and spending. Given full accountability, either party would probably have made a better fist of fiscal policy. Unified government would also allow the development of a coherent longer-term strategy for economic growth, something which political divisions, as much as political ideology, have made impossible.

The merits of the leading Democrats are best compared by examining their stance on three key issues neglected by the Republicans:

- The need to increase the US national savings rate by converting budget deficits into surpluses and eliminating fiscal incentives for consumption and borrowing.
- The need to address rapid increases in income and wealth inequalities that are threatening social harmony.
- The need to improve industrial performance, for example by lengthening the time horizons of managers and improving training and education.

On the deficit, Mr Tsongas offers the greatest hope of progress. Courageously rejecting conventional wisdom in Washington, he has built his campaign around opposition to income tax cuts. On the stump, his case for fiscal responsibility is reduced to a few short phrases: "I'm not Santa Claus. We're adults. Just tell us the truth. We can handle it." In his 86-page pamphlet, A Call to Economic Arms, he calls for a steady increase in petrol taxes towards international levels and discusses the merits of real cuts in entitlement programmes such as health care and pensions. Given such candour, it is surprising he is still in the race.

Mr Clinton is less convincing on the deficit, although he does promise to restrain government spending to no more than the rate of economic growth. But he comes into his own on the "fairness issue", arguing for a 10 per cent tax cut for middle-income Americans to be paid for by higher taxes on families earning more than $200,000 a year.

If you instinctively bristle at plans for more redistribution, consider what has happened in America. As the New York Times reported last week, pre-tax incomes of the top 1 per cent rose 77 per cent in real terms between 1977 and 1989. The top fifth saw incomes rise 29 per cent. Everybody else did badly: the second, third, fourth and bottom fifths saw real income gains of 9 per cent, 4 per cent, minus 1 per cent and minus 9 per cent respectively. After allowing for taxes, the top 1 per cent has pocketed an amazing 60 per cent of the total increase in income over the period. The top 5 per cent gained 74 per cent of the increase; the bottom 80 per cent a mere 6 per cent. You do not have to be a socialist to believe that some rejigging of the tax burden is overdue.

Both Mr Clinton and Mr Tsongas have something to offer on the third issue – improving industrial performance. Mr Clinton has focused mainly on improving worker skills through better education and training. He deserves great credit for stressing the importance of a national apprenticeship programme for non-college bound youths – a group central to economic performance yet long ignored by much of the educational establishment. He also favours national exams to raise school standards and radical measures to make higher education more affordable for the middle classes.

Mr Tsongas makes encouraging, if conventional, noises on education. But he comes alive when discussing ways to strengthen America's manufacturing base, including industrial policies. He infuriates many liberal Democrats by advocating lower capital gains taxes on long-term equity investment, and arguing that the party must pay more attention to the "original act – the creation of national wealth".

Yet while criticised for being aggressively pro-business, he is far from an uncritical believer in market forces. "Adam Smith was a marvellous man but he wouldn't know a superconductor or memory chip if he tripped over one," he says. He regards the post-war success of Japan as proof that intelligent government intervention can help. He sees an industrial policy as less an alternative to the market than a means of improving on it, especially in high technology where huge investments are required. He advocates strategic investments in emerging technologies, a modernisation of anti-trust laws to permit more joint ventures, and efforts to lengthen the time horizons of managers, for example by scrapping quarterly financial returns.

By stressing fairness, Mr Clinton is attracting strong support from blacks and poorly educated blue-collar workers. Mr Tsongas's blunter message about the importance of wealth creation is playing well with white-collar Democrats and, one suspects, many moderate Republicans. Neither can be dismissed as an old-style "tax and spend" Democrat. With the support of Congress, either would probably do more to raise national savings, heal social divisions and address structural economic failings than a second Bush administration. There is little to fear economically – and possibly much to gain – from a Democratic victory in November.

'Catch-all' crime to be avoided

JUSTINIAN

The two jurors from the Guinness Two and Nottingham Crown Court trials who wrote to this paper complaining about the legal profession's apparent disdain for the intelligence of juries in complex fraud trials may nevertheless welcome the authorities' search for a simpler legal process – in particular, the suggestion for a new offence of fraud.

A general offence of fraud is unknown to English law. It is being said that it would be helpful if there were such a crime (as there is in Scotland) to help reduce, if not avoid, the ordeal of inordinately long fraud trials that have scarred the criminal justice scene in recent weeks.

The idea is not new, only that it is being taken more seriously. In 1986, the Roskill Committee, in its recommendation to substitute a professional tribunal for jury trial in serious fraud cases, added that the issue of a crime of fraud *simpliciter* should be further examined. Academic writers too have been advocating the introduction of such a crime, either as a widely-conceived residual offence to specific fraudulent offences, or in substitution of the crime of conspiracy to defraud.

Conspiracy to defraud comes close to being a general offence of fraud, since the courts have given it an extremely wide scope. The two principal differences are that conspiracy to defraud cannot be committed by a person acting on his or her own. Since a conspiracy is an agreement to do something unlawful, it must not be confused with the means by which it is intended to be carried out.

The courts have been chary of defining the offence "to defraud", which takes its colour from the context in which the phrase is used, and means, ordinarily, to deprive a person dishonestly of something which is his – or of something to which he is, would be or might be entitled, but for the perpetration of the fraud.

The Law Commission, in its 1987 review of conspiracy to defraud, rejected the replacement of conspiracy to defraud by a general fraud offence capable of being committed by a single individual, largely on the ground of the scope of such an ill-defined offence.

Most commercial activity is carried on with a view to gain for its perpetrators, or financial prejudice to others, so that in practice the offence would depend upon the jury's view of "dishonesty". Such an offence would provide insufficient guidance in advance as to what could or could not be lawfully done. Penal sanctions should be imposed only in clear cases. But if a general offence of fraud were introduced simply as a long-stop, to be used in addition to conspiracy to defraud, some of the objections would drop away. If, moreover, the addition of a charge of fraud were controlled by the judge in pre-trial directions, any abuse by presenters of a "catch-all" crime would be avoided.

If the addition of a charge of fraud were controlled by the judge in pre-trial directions, abuse could be avoided

Whether the general offence of fraud would significantly shorten complex fraud trials is highly problematical. Again, the answer to that question would depend on the definition of the crime. If it were tightly drawn, it might limit the scope of the forensic process, but would hardly do the trick of supplementing the existing law. If it were loosely defined, there would be cries of uncertainty and ambiguity about lawful commercial conduct.

Some helpful guidance has just been provided by the Court of Appeal for Jersey, in an impressive judgment under the presidency of Sir Godfray Le Quesne QC, a former chairman of the Monopolies and Merger Commission. A charge of "fraud, contrary to the common law of Jersey" was upheld, the argument focusing on whether in Jersey criminal law, largely adapted from English statutory law, such an offence ever existed or was extant.

The accused, who was a director of the Hongkong and Shanghai Bank in Jersey, was alleged to have fraudulently induced his employer to purchase a property in St Helier for £700,000 by withholding from the bank the facts, known to him, that the property was offered for sale at £367,500 and could have been bought for £310,000 or thereabouts.

The Court of Appeal came to the conclusion – not without hesitation, it was at pains to observe – that the appellant had committed a misrepresentation, it being that it was necessary to pay £700,000 in order to obtain the property. It was done fraudulently. By acting fraudulently, the accused caused actual prejudice to the bank, because it paid for the property more than twice the sum for which it could have bought the property, and produced a corresponding benefit to the vendors. Thus the essential features of fraud were present.

For good measure, the Court added that the accused's conduct was a breach of trust. The bank was entitled to rely on the accused for information about local conditions affecting a purchase of local property. By the withholding of important information, that trust was flagrantly abused, and it was done in a commercial transaction in the course of the accused's duties as an executive director.

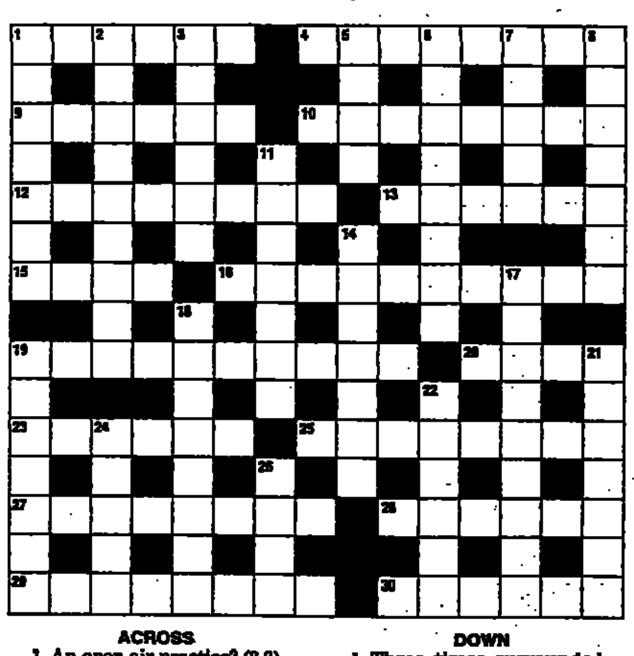
The Court's hesitancy in upholding the conviction is expressed in language that should serve as a warning. The Court said: "We do not consider it acceptable today to have a criminal offence defined in very general and comprehensive terms and to trust that it will be confined within proper limits by the discretion of the prosecuting officers in using it. The citizen is entitled to clearer information than that makes possible of what is criminal and what is innocent." Just so.

Louis Blom-Cooper QC

JOTTER PAD

CROSSWORD

No.7,793 Set by DANTE



ACROSS

1 An open-air practice? (3,3)
4 Girl and cleric having no right to withdraw (8)
9 They want fair play, presumably (6)
10 Reconciled to having had to give up work (8)
12 He breaks more than one union law (8)
13 Look for a feature about double-parking (6)
15 Takes a set dish? (4)
16 As Samson was when shorn of his locks? (10)
19 Timely sort of police raid (10)
20 Note arrangement of sails and masts of a vessel (4)
23 Invest, but not in vest! (6)
25 They begin races but don't finish them (8)
27 I've only a piece of material around me and trembled with cold (8)
28 Married girl from spite (6)
29 If you want to use the weighing machine, hurry! (4,2,2)
30 Condescends to change the design (6)

DOWN

1 Three times surrounded a number show fear (7)
2 A shaver of today – or tomorrow? (9)
3 Last month from my own fault I'm overdrawn (6)
5 It is seen as an opinion (4)
6 Fried potato pasties for carpenters (8)
7 Her weapon was of no use in a manhunt (5)
8 Carried on in the nude, perhaps, though embarrassed (7)
11 Painstaking preparation unusual in Paris (7)
14 The last sort of quality needed by cat-burglars (7)
17 Hiding or showing (9)
18 It should make a Mexican less hot-headed (8)
19 Delights, as sleep may produce (7)
21 Effusive oil-producers? (7)
22 Living in a city there's some point in being polite (6)
24 A little extra is equivalent to a salary increase (5)
26 One still is first to make a snowman (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 21.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 08.03.92: Pool purchase price £/MWh	Final Prices for Trading on 08.02.92: Pool purchase price £/MWh	Final Prices for Trading on 08.02.92: Pool selling price £/MWh
0030	17.03	17.14	17.14
0100	17.54	17.15	18.63
0130	17.54	19.14	20.67
0200	17.54	19.14	20.67
0230	17.64	17.15	18.61
0300	17.54	17.14	18.60
0330	17.54	17.13	18.59
0400	17.01	17.11	18.57
0430	17.00	17.10	17.10
0500	16.99	17.06	17.06
0530	16.70	17.04	17.04
0600	16.70	17.04	17.04
0630	16.70	17.04	17.04
0700	16.70	17.04	17.04
0730	16.70	17.03	17.03
0800	16.70	17.03	17.03
0830	16.70	17.02	17.02
0900	16.71	17.04	17.04
0930	17.18	17.06	17.06
1000	17.18	17.12	18.84
1030	17.18	17.12	18.61
1100	17.18	17.60	19.09
1130	17.18	18.52	20.05
1200	17.18	18.52	20.04
1230	17.18	19.13	20.68
1300	17.18	19.13	20.67
1330	17.18	17.62	19.10
1400	17.18	17.12	18.58
1430	16.73	17.08	18.56
1500	16.72	17.08	17.08
1530	16.73	17.08	17.08
1600	16.73	17.08	17.08
1630	16.73	17.10	17.10
1700	16.71	18.62	20.04
1730	16.73	19.13	20.66
1800	18.03	19.13	20.66
1830	17.48	19.13	20.66
1900	18.15	27.50	29.28
1930	18.85	27.50	29.24
2000	18.86	19.13	20.64
2030	18.15	18.62	20.12
2100	18.15	17.60	19.07
2130	18.15	17.60	19.07
2200	18.15	17.57	19.05
2230	18.15	17.10	18.56
2300	17.48	17.08	17.08
2330	16.73	17.08	17.08
2400	17.18	17.04	17.04

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements, it is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 09.03.92: Pool purchase price £/MWh	Final Prices for Trading on 10.02.92: Pool purchase price £/MWh	Final Prices for Trading on 10.02.92: Pool selling price £/MWh
0030	17.18	17.12	17.12
0100	17.48	18.52	20.41
0130	17.48	19.13	21.04
0200	17.48	19.13	21.04
0230	17.48	18.62	20.50
0300	17.48	17.60	19.45
0330	17.01	17.60	19.45
0400	16.74	17.12	17.12
0430	16.73	17.10	17.10
0500	16.73	17.08	17.08
0530	16.74	17.09	17.09
0600	16.78	17.12	17.12
0630	16.78	17.09	17.09
0700	18.66	17.43	17.43
0730	18.66	18.44	20.32
0800	18.66	19.26	21.17
0830	18.66	19.51	21.43
0900	18.66	20.66	22.63
0930	22.70	22.58	24.62
1000	22.70	22.59	24.63
1030	18.36	22.56	24.62
1100	18.36	22.58	24.62
1130	18.36	22.60	24.65
1200	18.36	22.63	24.68
1230	18.36	23.34	26.40
1300	18.36	23.31	25.34
1330	18.36	19.51	21.42
1400	18.36	19.43	21.34
1430	18.66	17.65	17.65
1500	18.66	17.64	17.64
1530	17.02	17.58	17.58
1600	18.66	17.70	17.70
1630	18.66	19.21	21.12
1700	18.66	25.63	27.87
1730	18.66	28.40	31.34
1800	18.66	29.64	32.72
1830	18.66	29.29	32.27
1900	18.68	25.81	28.19
1930	20.06	22.14	24.17
2000	18.65	20.01	21.93
2030	18.38	19.43	21.32
2100	18.35	19.26	21.15
2130	17.02	18.44	20.31
2200	16.89	18.44	20.31
2230	16.82	17.46	17.46
2300	16.76	17.13	17.13
2330	16.69	17.12	17.12
2400	16.67	17.09	17.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements, it is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited